
TVPLUS
Astral Media Outdoor
CANAL VIE
énergie
THE MOVIE NETWORK
HISToRiA
family
SUPER ÉCRAN
INDIGO
SÉRIES+
RADIO
RockDétente
rockdetente.com
Annual
Report
2002
www.astralmedia.com
Astral Media®

Astral Media®

TELEVISION GROUP

PAY AND PAY-PER-VIEW TELEVISION

- The Movie Network
- Super Écran
- Mpix
- Viewer's Choice (50.1%)
- Canal Indigo (20.04%)

SPECIALTY TELEVISION

- Family
- Canal Vie
- Canal D
- VRAK.TV
- Z
- Historia (50%)
- Séries+ (50%)
- MusiquePlus (50%)

RADIO GROUP

RADIO

FM Stations (Québec)

- énergie
- énergie 94,3 (Montréal)
- énergie 94,5 (Saguenay/Lac-St-Jean)
- énergie 98,9 (Québec)
- énergie 99,1 (Rouyn-Noranda)

FM Stations (Atlantic)

- CIKX 93.5 (Grand Falls, NB)
- CKTY 99.5 (Truro, NS)
- CKTO 100.9 (Truro, NS)
- CJCJ 104.1 (Woodstock, NB)
- CFXY 105.3 (Fredericton, NB)

OUTDOOR ADVERTISING

OUTDOOR ADVERTISING

- Québec
- Ontario
- Alberta
- British Columbia

MusiMax (50%)

TELETOON (40%)

TVPlus Média

Astral Media Mix

The Harold Greenberg Fund

Artech Digital Entertainments (51%)

TV MAXPLUS (50%)

énergie 102,3 (Mauricie)

énergie 102,7 (Val-d'Or)

énergie 104,1 (Outaouais)

énergie 105,3 (Drummondville)

énergie 106,1 (Estrie)

RockDétente

CHEY 94,7 (Trois-Rivières)

CIMF 94,9 (Gatineau)

CFIX 96,9 (Saguenay)

CITÉ 102,7 (Sherbrooke)

CITÉ 107,3 (Montréal)

CITF 107,5 (Québec)

CFEI 106,5 (Saint-Hyacinthe)

CIBX 106.9 (Fredericton, NB)

AM Stations (Atlantic)

CKHJ 1260 (Fredericton, NB)

CKBC 1360 (Bathurst, NB)

Télé-Annonces

INTERNET

www.moviepix.ca
www.historiatv.com
www.tvplusmedia.com
www.musiqueplus.com
www.canalvie.com
www.musimax.com
www.canalindigo.com
www.teleannonces.com
www.artech.ca
www.superecran.com
www.viewerschoice.ca
www.teletoon.com
www.vrak.tv
www.radioenergie.com
www.familychannel.ca
www.tmn.ca
www.ztele.com
www.rockdetente.com

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PROFILE

Astral Media is one of Canada's leading media companies, reaching people through a combination of highly targeted media properties in specialty, pay and pay-per-view television, radio and outdoor advertising.

The Company is the country's largest operator of English and French-language specialty, pay, and pay-per-view **television** services and is currently involved, on its own or with partners, in 19 network licences. **Astral Media** and its television networks also play a unique role as the largest private sector supporter of Canadian feature films.

In **radio**, **Astral Media** owns 24 radio stations, including 16 French-language FM stations in Québec comprising the highly complementary énergie and Radio RockDétente networks. The Company also owns 6 FM and 2 AM English-language stations in the Atlantic Provinces.

Astral Media Outdoor is one of Canada's most dynamic and innovative **outdoor advertising** companies with some 3,500 faces in Québec, Ontario, Alberta and British Columbia.

Astral Media employs some 1,700 people at its facilities in Montréal, Toronto, Ottawa and a number of cities throughout Québec and the Atlantic Provinces.

The shares of **Astral Media Inc.** trade on the Toronto Stock Exchange under the ticker symbols: ACM.A/ACM.B.

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REVENUES
(in thousands of $)

EBITDA
(in thousands of $)

NET EARNINGS FROM CONTINUING OPERATIONS
(in thousands of $)

SHAREHOLDERS' EQUITY
(in thousands of $)

FINANCIAL HIGHLIGHTS[1]

(in thousands of $)	2002	2001	2000 Pro forma[2]	1999	1998
Revenues	400,459	345,116	283,392	140,364	114,854
EBITDA	95,022	72,977	61,734	31,286	21,515
Earnings before income taxes	[illegible]	43,947	28,648	19,223	[illegible]
Net earnings from continuing operations	[illegible]	29,732	13,028	11,018	5,985
Net earnings	[illegible]	34,654	13,560	14,924	[illegible]
Cash flow from continuing operations	[illegible]	49,528	38,142	19,925	[illegible]
Long-term debt[3]	[illegible]	–	101,070	125,706	[illegible]
Shareholders' equity	[illegible]	537,649	311,573	299,662	[illegible]
Total assets	[illegible]	912,849	605,116	570,028	[illegible]

A **focused strategy**

High-quality assets

PER-SHARE DATA (in $)[4]	2002	2001	2000	1999	1998
Net earnings from continuing operations	1.16	0.65	0.34	[illegible]	[illegible]
Net earnings	1.16	0.76	0.35	[illegible]	[illegible]
Cash flow from continuing operations	1.33	1.09	[illegible]	[illegible]	[illegible]
Dividend	0.15	0.15	[illegible]	[illegible]	[illegible]
Book value[5]	12.09	11.07	[illegible]	[illegible]	[illegible]
Average number of shares outstanding (000's)	49,151	45,482	[illegible]	[illegible]	[illegible]

Financial **strength**

A **dedicated** team

(1) *All figures reflect continuing operations.*
(2) *See note 1 a) accompanying the audited financial statements in the 2001 Annual Report.*
(3) *Includes current portion.*
(4) *Per share data have been restated to reflect the two-for-one stock split completed on April 9, 2002.*
(5) *Based on the number of shares outstanding as at August 31.*

www.astralmedia.com

www.astralmedia.com

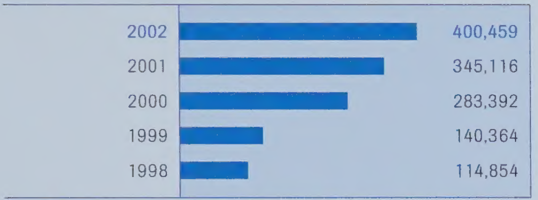
A dedicated team

Financial strength

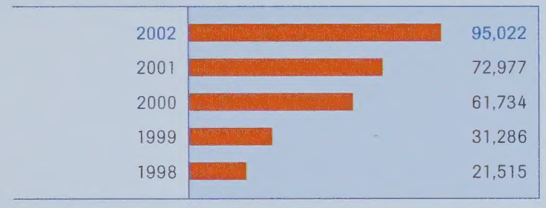
High-quality assets

A focused strategy

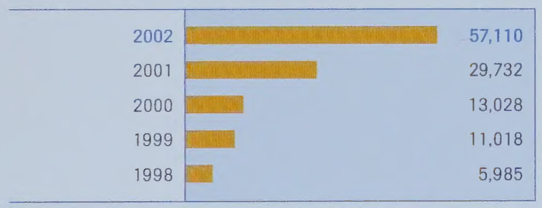
REVENUES
(in thousands of $)



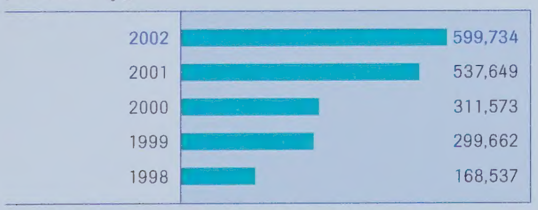
EBITDA
(in thousands of $)



NET EARNINGS FROM CONTINUING OPERATIONS
(in thousands of $)



SHAREHOLDERS' EQUITY
(in thousands of $)



FINANCIAL HIGHLIGHTS[1]

(in thousands of $)	2002	2001	2000 Pro forma[2]	1999	1998
Revenues	400,459	345,116	283,392	140,364	114,854
EBITDA	95,022	72,977	61,734	31,286	21,515
Earnings before income taxes	89,993	43,947	28,648	19,223	11,516
Net earnings from continuing operations	57,110	29,732	13,028	11,018	5,985
Net earnings	57,110	34,654	13,560	14,924	12,626
Cash flow from continuing operations	65,354	49,528	38,142	19,925	15,716
Long-term debt[3]	–	–	101,070	125,706	21,979
Shareholders' equity	599,734	537,649	311,573	299,662	168,537
Total assets	976,531	912,849	605,116	570,028	307,848

	2002	2001	2000	1999	1998
PER-SHARE DATA (in $)[4]					
Net earnings from continuing operations	1.16	0.65	0.34	0.37	0.22
Net earnings	1.16	0.76	0.35	0.50	0.46
Cash flow from continuing operations	1.33	1.09	0.99	0.67	0.58
Dividend	0.15	0.15	0.15	0.15	0.15
Book value[5]	12.09	11.07	8.01	7.79	6.02
Average number of shares outstanding (000's)	49,151	45,482	38,626	29,714	27,298

(1) *All figures reflect continuing operations.*
(2) *See note 1. a) accompanying the audited financial statements in the 2001 Annual Report.*
(3) *Includes current portion.*
(4) *Per-share data have been restated to reflect the two-for-one stock split completed on April 9, 2002.*
(5) *Based on the number of shares outstanding as at August 31.*

Ian Greenberg
President and Chief Executive Officer

André Bureau
Chairman of the Board

MESSAGE TO SHAREHOLDERS

ASTRAL MEDIA INC.

We are pleased to report that Astral has once more achieved record financial results and gained market share, as it continues to build on its successful strategy of delivering the most targeted media experiences to the collective benefit of consumers, advertisers and ultimately, shareholders.

Our growth streak is driven by the following four key attributes:

- **A focused strategy** to continue to be one of Canada's leading pure-play media companies;
- **High-quality assets**, consisting of a unique and valuable combination of carefully targeted media properties;
- **Financial strength**, including one of the industry's strongest balance sheets; and
- **A dedicated team** committed to building the Company through its passion and expertise.

These defining characteristics are at the heart of our steady performance and sustained growth in both good and challenging times.

Record Financial Results

Astral again surpassed its overall growth targets in Fiscal 2002.

Net earnings from continuing operations almost doubled in 2002, reaching $57.1 million or $1.16 per share compared with $29.7 million or $0.65 per share in the previous year. This year's results include a non-recurring net after-tax gain of $7.4 million on the disposition of assets. Per-share figures have been adjusted retroactively to reflect the two-for-one split of the Company's shares completed last April.

Details regarding the asset dispositions as well as changes in accounting policies are provided in the *Management's Discussion and Analysis.* Excluding the financial impact of the preceding matters, net earnings in Fiscal 2002 increased 40 percent to $49.7 million from $35.4 million in the prior year while earnings per share rose 29 percent to $1.01 from $0.78 in Fiscal 2001.

Revenues for Fiscal 2002 grew 16 percent to $400 million. EBITDA for the year rose 30 percent to $95.0 million from $73.0 million in the previous year. Excluding the impact of non-recurring items and changes in accounting policies, earnings before income taxes of $81.1 million in Fiscal 2002 showed a 38 percent increase over the $58.9 million recorded in Fiscal 2001.

Our business units proved once again to be consistently strong cash generators. Cash flow from continuing operations in Fiscal 2002 was up 32 percent to $65.4 million or $1.33 per share, compared with $49.5 million or $1.09 per share in the prior year.

The financial performance of this past year continued to strengthen Astral's already healthy, debt-free balance sheet. The Company's cash reserves stood at $73.1 million at the end of Fiscal 2002 compared to $12.6 million a year earlier.

This past year saw continuing progress in each of our three business units.

"Astral again surpassed its overall growth targets in Fiscal 2002."

"We continue to solidify Astral's leadership position in both the English and French-language markets, making our brands and overall offering more compelling than ever."

Television – *The Small Screen Delivers Big Results*

Our Television group, which is Canada's largest operator of specialty (Family, VRAK.TV, Canal Vie, Canal D, Z, Historia, Séries+, TELETOON, MusiquePlus and MusiMax), pay (The Movie Network, Super Écran and Mpix) and pay-per-view services (Viewer's Choice and Canal Indigo) posted record results in Fiscal 2002.

The Movie Network and Super Écran pay networks both achieved record subscriber levels. As our specialty services weave their way into more homes across the country, our high-quality niche programming and the ensuing popularity and recognition of our brands are attracting more viewers, thus producing higher ratings for advertisers and generating greater advertising revenues.

As a result, we continue to solidify Astral's leadership position in both the English and French-language markets, making our brands and overall offering more compelling than ever.

Radio – *Making Waves*

Astral Radio weathered a challenging year, maintaining programming leadership with its target audiences while growing its advertising revenues year over year.

The most significant highlight of the year, however, was the pending acquisition of 19 radio stations from Telemedia Corporation which was approved by the Canadian Radio-television and Telecommunications Commission (CRTC) last April. Much of the year was focused on bringing this transaction to fruition and laying the groundwork for the successful integration of Telemedia's assets into the Astral Radio family.

Subsequent to year-end, we reached an agreement with the Competition Bureau which enables us to acquire the Telemedia assets in the first quarter of Fiscal 2003. Closing of the transaction

will create a stronger and more diversified Astral Radio comprising 24 radio stations. These include the énergie and Radio RockDétente FM networks in Québec covering all major metro areas such as Montréal, Quebec City, Saguenay, Gatineau, Trois-Rivières, Sherbrooke as well as the Abitibi region. It will also provide Astral with a presence in the English-language radio market in the Maritimes.

Under the terms of the agreement with the Competition Bureau, Astral will sell its AM radio network in the province of Québec, as well as CFOM-FM in Quebec City. Closing of these sales, pending approval from the CRTC, is expected in the latter part of Fiscal 2003.

Outdoor Advertising – *New Faces in New Places*

Astral Media Outdoor's (AMO) creativity, strategic focus and superior execution led to improved performance in Fiscal 2002. Revenue grew by 12% despite the challenges posed by tobacco advertising restrictions and a generally sluggish market. Outdoor added new faces in the year, bringing its total to some 3,500 advertising faces. Commuters in Edmonton will notice 23 new faces in their metropolitan area following Outdoor's expansion into the Alberta market.

With advertising faces in most of Canada's major cities and markets, AMO offers advertisers targeted and cost-effective outdoor advertising solutions. The appeal of its eye-catching structures not only helps to grow its market share, but allows AMO to take on a greater number of important national accounts.

"Astral Radio maintained programming leadership while growing its advertising revenues year over year."

"Astral Media Outdoor offers advertisers targeted and cost-effective outdoor advertising solutions."

Ownership in Astral Media Outdoor grew to 100 percent in Fiscal 2002 from 86 percent in the prior year, making Astral Media the full beneficiary of the long-term growth potential of this exciting business.

A Unique Media Combination

Our Astral Media Mix advertising service was successfully launched in Fiscal 2002 and introduced its very first advertising and promotional campaigns for a number of high-profile products.

By offering clients a one-stop service to maximize the impact of their advertising spending on television, radio and outdoor advertising, Astral Media Mix leverages the strengths of all Astral properties to reach target consumers where and when they are most receptive. Astral Media Mix does more than just sell advertising space – it provides advertising solutions. As a result, it is quickly becoming a household name to advertisers. We expect to see even greater innovations and contributions from this promising new service in future years.

A Regulatory Dichotomy

As the media industry in this country faces an increasingly competitive environment, an efficient regulatory structure for the timely review of mergers and acquisitions is more critical than ever. Unfortunately, recent experience with the Competition Bureau's involvement in our transaction with Telemedia brought forth the conflicting issues and inefficiencies within the existing regulatory environment. The current structure, with two distinct bodies, the CRTC and the Competition Bureau, and two essentially irreconcilable processes, is a liability that threatens the health and competitiveness of this important industry. We believe that there is an urgent need to review the mandates of both regulators to ensure that there is no jurisdiction overlap.

Contributing to Canada's Culture

Private funding plays a crucial role in the well-being of Canadian cultural industries. With a total investment envelope of $35 million in the past 16 years, the Astral Media Harold Greenberg Fund continues to play a major role in the development of a broad range of film and television productions in both English and French.

In addition to private funding, now more than ever, it is critical that continuous public funding mechanisms ensure the reinforcement of our broadcasting system. The Canadian film and television industry, employing close to 135,000 Canadians, is a dynamic sector of our economy. Public funding plays an essential role in maintaining its vitality while at the same time strengthening the richness and the distinctiveness of our cultural identity.

Looking Ahead

Heading into Fiscal 2003, we are committed to growing our three media businesses, fully unlocking the value of our brands, and leveraging the synergies within our operating units. In Television, our niche networks will continue to benefit from the growing popularity and proliferation of digital cable and satellite services. In Radio, Astral's two highly complementary and leading networks in Québec will be a force in the coming years and our eight radio stations in the Maritimes provide a solid platform to expand operations outside Québec. Astral Media Outdoor will continue to develop its presence in major Canadian markets with the distinctive level of innovation and creativity that have been its trademark in the outdoor advertising market.

"Our high-quality assets, diversified mix of subscriber and advertising revenue and recent acquisitions will continue to nurture our progress."

"Together, we will continue to brighten the media landscape in Canada for years to come."

Our high-quality assets, diversified mix of subscriber and advertising revenue and recent acquisitions will continue to nurture our progress. As a result, we are aiming for an EBITDA growth in excess of 20% in Fiscal 2003.

Astral's balance sheet, combined with its strong earnings, cash flows, and solid and experienced management team provide the Company with the wherewithal to take advantage of strategic acquisition opportunities that will further contribute to our growth.

As Astral Media embarks on its fifth decade as a company, we wish to thank many stakeholders for their respective contributions to our success: our colleagues, directors, shareholders, business partners, distributors, customers and subscribers. Together, we will continue to brighten the media landscape in Canada for years to come.

Ian Greenberg
President and Chief Executive Officer
October 25, 2002

Andre Bureau, O.C.
Chairman of the Board

Daniel Jean
Master control's
operations support
Broadcast Center,
Montréal

Guy Naud
Master control's
operator
Broadcast Center,
Montréal

TELEVISION GROUP

"In this past year, we have seen increased viewership across all our networks, at a time when many new digital channels were launched and foreign channels introduced in the market."

The Sopranos
The Movie Network

Ararat
Viewer's Choice

Six Feet Under
The Movie Network

In this past year, we have seen increased viewership across all our networks, at a time when many new digital channels were launched and foreign channels introduced in the market.

Our networks benefited from cross-promotions and bundled advertising buys with Astral's Radio and Outdoor business units. Operating synergies within and across our Montréal and Toronto broadcasting locations also drove increased efficiencies and higher profit margins.

Pay Television

With close to 70% of the market, Astral Media is Canada's largest operator of pay television services, the fastest growing category of television services in Canada. Each of our three subscription movie services, The Movie Network, Super Écran and Mpix, offer Canadians the equivalent of multiple U.S. premium television services.

Fiscal 2002 was a year of continued growth for our pay services. The Movie Network and Super Écran have remained anchors for digital's key acquisition packages, with penetration levels of over 50% and consolidated subscriber growth of over 10%. In November 2001, the licences for these two networks were renewed for another seven years.

During the year, our brand positioning was reworked slightly to become clearer and more relevant to consumers. Our pay networks remained the only place on television to get exclusive, commercial-free programs from almost every major and independent Hollywood studio and the best in Canadian and international films. In addition, we continued to provide a strong lineup of award-winning, high-profile point-of-difference programming such as HBO's *The Sopranos*, *Six Feet Under* as well as *Le Grand Rire Bleue.* Mpix also commissioned its first piece of original programming, a feature length film called *Glitter Palace* – an initiative we are looking to repeat.

Daniel Hunt
Master controls
operations support
Broadcast Center,
Montreal

Guy Nadal
Master controls
operator
Broadcast Center,
Montreal

Domenic Vivolo
Senior Vice-President, Sales and Marketing,
Astral Television Networks,
Astral Télé Réseaux & Family

John Riley
President,
Astral Television Networks,
Astral Télé Réseaux & Family

Kevin Wright
Senior Vice-President, Programming,
The Movie Network, Mpix,
Family & Super Écran

VIEWER'S CHOICE

INDIGO

Astral *Media*
The Harold Greenberg Fund
Le Fonds Harold Greenberg

Joe Tedesco
Vice-President and General Manager,
Family

Johanne Saint-Laurent
Senior Vice-President,
Finance and Business Affairs,
Les Chaînes Télé Astral and
Vice President and General Manager,
Astral Télé Réseaux

John Pow
Vice-President, Finance,
Astral Television Networks, Astral Télé Réseaux
& Family

The Movie Network

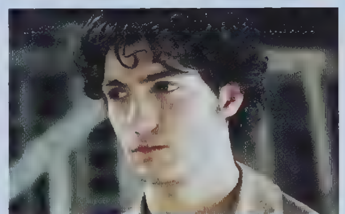
The Movie Network is Eastern Canada's charismatic guide to the best in premier cinematic entertainment, airing English-language blockbusters, exclusive series and comedy specials on five 24-hour pay television channels.

The Movie Network delivers the most and widest variety of first-run major studio movies of any pay television network in the world, as well as the very best of Canadian and international film.
www.tmn.ca

Super Écran

Super Écran is North America's only French-language pay television network offering movies, exclusive series and variety shows on four 24-hour channels. Super Écran is Québec's ultimate destination for the best in movie entertainment and specials. Inspired, passionate and avant-gardist, Super Écran offers moving and engaging experiences adapted to the lifestyle of its audience.
www.superecran.com

The Sopranos
The Movie Network



Ararat
Viewer's Choice

Six Feet Under
The Movie Network

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Daniel Hean
Master control's operations support
Broadcast Center, Montréal

Guy Naud
Master control's operator
Broadcast Center, Montréal

Mpix

Mpix is a 24-hour pay television network, with an additional time-shifted channel, that airs timeless and unforgettable movies from the 1920s to the 1990s. Through innovative programming events and informative movie-related specials, Mpix gives viewers in Eastern Canada the opportunity to enjoy film gems in a whole new way.
www.moviepix.ca

Family

Family is a premium, 100% commercial-free network offering the best in family television entertainment. Dedicated to celebrating family life and providing a fun experience for all members of the family, it airs a unique mix of movies, specials and series, with up to 60% of the network's programming supplied by Disney.

Family is currently available in over 4.2 million Canadian households. Family's Web site has become an exciting and popular destination for kids and families that showcases programs and provides online fun for kids.
www.family.ca

Viewer's Choice

Viewer's Choice Canada offers convenient, commercial-free in-home viewing of hit movies, live championship sporting matches, concerts and many other special events on a pay-per-view basis across Eastern Canada. Viewer's Choice offers 48 channels of near-video-on-demand programming available 24 hours a day. Astral Media owns 50.1 percent and is the managing shareholder of Viewer's Choice. www.viewerschoice.ca

Canal Indigo

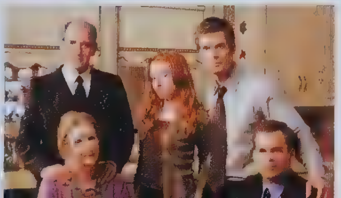
Canal Indigo, the French-language national pay-per-view network, offers viewers a wide range of commercial-free movies, unique sports events and entertainment on an à la carte basis. The network has 40+ channels of near-video-on-demand, giving viewers maximum choice and convenience. Viewer's Choice Canada owns 40 percent and is the largest and managing shareholder of Canal Indigo. www.canalindigo.com

The Harold Greenberg Fund

The Harold Greenberg Fund is a national funding organization established to contribute to the production of new, high-calibre work in film and television while encouraging the emergence of new talents. Over the past 16 years, the Fund has invested nearly $35 million in the Canadian industry and supported over 1,500 projects.

The Sopranos
The Movie Network

Ararat
Viewer's Choice



Six Feet Under
The Movie Network

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Daniel Jean
Master controls
operations support
Broadcast Center,
Montreal

Guy Naud
Master controls
operator
Broadcast Center,
Montreal

Marie Collin
Senior Vice-President, Programming,
VRAK.TV, Canal Vie & Z

Pierre Roy
President,
Les Chaînes Télé Astral

Johanne Saint-Laurent
Senior Vice-President,
Finance and Business Affairs,
Les Chaînes Télé Astral and
Vice President and General Manager,
Astral Télé Réseaux

Judith Brosseau
Senior Vice-President, Programming,
Canal D, Historia & Séries+

Canal D

Canal D is the channel for viewers looking for a window on the world and its fascinating discoveries. Contemporary, entertaining, high-calibre documentaries are featured along with programming on the very latest developments in a variety of fields. Popular television series, comedy and a large repertoire of movies round out an exceptional lineup. Canal D, for the never-ending pleasure of discovering.

Canal Vie

Canal Vie was founded on a discerning knowledge of what women want. Daily content is a mirror on women's everyday concerns about life, health, family and beauty. Subjects that appeal to modern women who want to be informed, entertained, educated or who just want to kick back and watch some good television.
www.canalvie.com

The Sopranos
The Movie Network

Ararat
Viewer's Choice

Six Feet Under
The Movie Network

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Daniel Jean
Master controls operations support
Broadcast Center, Montreal

Guy Naud
Master controls operator
Broadcast Center, Montreal

Historia

Historia presents history in all its forms – documentary, fiction, magazines and film – every day, around the clock. Entirely devoted to remembering the stories of Québec, Canada and the world, this specialized French-language channel broadcasts original premiering productions as well as special Canadian and foreign acquisitions.

Historia makes history accessible to a wide viewing audience with programs like *Origines*, a blockbuster series about New France; *JAG*, a fictional military drama; and *La face cachée de l'histoire*, a hard-hitting documentary series.

Unique to the television landscape of Québec, Historia quenches its viewers' thirst for knowledge by combining the pleasure of learning with the thrill of rediscovering our collective past. Historia – all of history awaits. Astral Media owns 50 percent of Historia.
www.historiatv.com

Séries+

As the only French-language channel in Québec devoted to works of fiction 24 hours a day, 7 days a week, Séries+ airs outstanding series, miniseries, and made-for-TV movies for a primarily female adult audience. Its six fold line-up includes action, investigation, comedy, drama, romance and suspense programming slots.

Selected from the cream of the crop in television production both at home and abroad, Séries+ offers an assortment of predominantly first-run productions in French. Séries+ is a savory escape into worlds of intrigue. Astral Media owns 50 percent of Séries+.

VRAK.TV

VRAK.TV is a specialized French-language channel for young people, offering fresh, interactive, topical television for the younger set. Intrepid, relevant and energetic, VRAK.TV provides viewers with varied programming including cartoons, sitcoms, original Québec productions and dramatic series. VRAK.TV Junior is a block of programming designed specifically for 3- to 5-year-olds, featuring cartoons and special productions from both Canada and Québec.
www.vrak.tv

Z

Entertaining and state-of-the-art, Z is the channel of choice for science fiction and technology buffs, 24/7. Z caters to a mainly male audience (18-49) with original shows and productions in four areas: technology, science fiction, extreme shows and unexplained phenomena.

Innovative and rigorous, dynamic and original, Z opens portholes to captivating futuristic concepts in shows like *La revanche des nerdZ*, *LeTeksho* and *Technofolie*, featuring the latest in technological innovations.

Z also offers signature series like *X Files* and *Star Trek* for die-hard science fiction fans as well as bizarre and often surprising series such as *LEXX* or *Les chroniques du mystère*. Z, extremely futuristic television.
www.ztele.com

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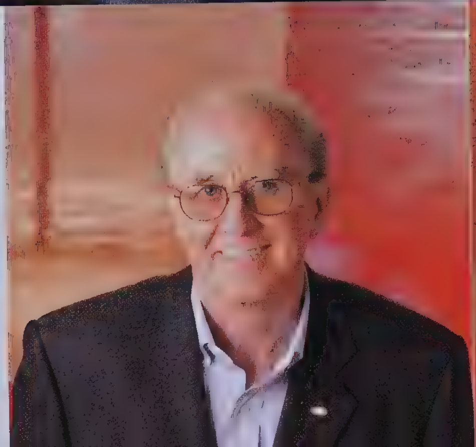


Len Cochrane
President,
TELETOON

Pierre Marchand
Vice-President and General Manager,
MusiquePlus & MusiMax

Bernard Dumais
Senior Vice-President,
Finance and Operations,
MusiquePlus & MusiMax

TELETOON

Exciting and innovative, TELETOON is Canada's only 24-hour-a-day animation station. The English- and French-language networks offer a lineup of some of the best animation from Canada and around the world – something for everyone. The lineup is zany, wacky and unreal, but takes animation seriously! On TELETOON, you'll find a mix of animated classics, classics-in-the-making and mind-blowing computer creations. That's how the network helps revive Saturday mornings… all week long! Astral Media owns 40 percent of TELETOON.
www.teletoon.com

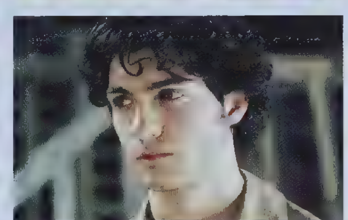
MusiquePlus

Innovative trendsetter, MusiquePlus offers a diversity of music styles 24 hours a day to the 12-24 demographic. Located in the heart of downtown Montréal, MusiquePlus' street front environment presents a continuous showcase of music and special events. From local acts to international stars, MusiquePlus' extensive array of programming features exclusive interviews, intimate concerts, entertainment news, and the latest video releases. It also branches out to the world of fashion, design and multimedia. Astral Media owns 50 percent of MusiquePlus.
www.musiqueplus.com

MusiMax

MusiMax guides viewers into the universe of popular music through the most beautiful melodies and biggest hits, 24 hours a day. It offers scoops and exclusives, entertainment news, music videos, behind the scenes, concerts and documentaries. The perfect blend from contemporary adult to oldies rock, soul, R&B, and others. To tune in to MusiMax is to enhance the music experience through a variety of special programs and events. Astral Media owns 50 percent of MusiMax.
www.musimax.com

The Sopranos
The Movie Network



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TVPLUS
média

Claude Lizotte
Vice-President, Sales and Marketing,
Television, TVPlus Média
& Astral Media Mix

Astral *Media* **Mix**

Michèle Labarre
General Manager,
Astral Media Mix

Astral Media Mix

Astral Media Mix has a Québec-based team of professionals exclusively dedicated to media mix, providing its clients strategic marketing solutions that integrate Astral's various media platforms, namely radio, television, and outdoor advertising. As the only company in the industry to offer this media combination, Astral Media Mix ensures tangible impact, profitable investments, and maximum visibility for its client's ad campaigns of all types. Astral's media platforms combine the many keys to a successful campaign: a strong name, frequency, geographic flexibility, and cost effectiveness.

TVPlus Média

TVPlus Média is an advertising rep house that has positioned itself as the specialist in specialty television. Serving a client base situated in Québec, TVPlus Média represents the French-language networks in which Astral Media is involved, Canal D, Canal Vie, Z, Historia, Séries+, MusiquePlus, MusiMax and TELETOON.

TVPlus Média also represents a number of English-language networks in the Québec market, TELETOON, Life Network, Showcase, History Television, HGTV, The Score, CMT, Food Network, the WWF properties and a number of new digital channels. www.tvplusmedia.com

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Master control's operations support
Broadcast Center, Montréal

Guy Naud
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Broadcast Center, Montréal

TELEVISION GROUP

Astral Media's focus on owning and operating pay and specialty television assets in evergreen niches like movies, children and teens' programming, documentaries, animation, music and leisure, fares well in a fragmenting environment. Our television networks are established players with solid revenue bases, benefiting from the ability to acquire premium programming in their respective categories. Recent investments in the individual brands of Astral's television networks have helped to reinforce product quality and fuel its strength in destination viewing.

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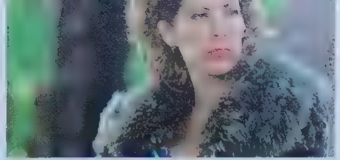

L'odyssée d'Alice Tremblay
Super Ecran

Les Galas Loto-Québec Festival Juste pour rire
Canal Indigo

Méga construction
Canal D

Les copines d'abord
Canal Vie

MixMania
VRAK.TV

La revanche des nerdZ
Z

The results have been telling. The Movie Network's programming received a record 80 nominations for the 54th Emmy Awards and Super Écran's market share remained among the top 3 pay and specialty services in the Québec francophone market. Our on-air production team was also honoured this year, receiving several awards for on-air promotions, the on-air look and logo for M-Fest, the film festival multiplex channel, and for the new weekly show *Moviehead* on Mpix.

Moving forward, we are focusing on building "point-of-difference" programming and the appeal of our products. Following the successful relaunch of our pay brands, we are creating sub-brands among our multiplex channels, targeting sub groups within our existing and potential subscriber bases.

Pay-Per-View

This past year, Viewer's Choice and Canal Indigo celebrated their tenth and fifth-year anniversaries respectively.

Buy rates (number of buys per addressable household) on digital distribution platforms continued to outperform those on analog, illustrating the increased potential of transactional television on a digital/impulse medium offering more channel capacity. To capitalize on this, both Viewer's Choice and Canal Indigo worked to build upon the growing base of digital subscribers to attract new users with their respective 40-plus channel offerings.

Building on pay-per-view's inherent competitive advantage in live and event-based programming, our pay-per-view businesses supplemented their movie offering with a focus on sports and special events like pro boxing, wrestling, NFL and NHL games and festivals such as *Festival Juste pour rire*.

Specialty

French-Language

Astral's specialty networks make up a solid portfolio of services that effectively targets consumers through every important demographic group.

For example, our established French-language services, Canal D, Canal Vie and VRAK.TV are important pillars in the Québec media landscape, with leading market shares across key demographics. The programming on these networks is derived from a strong emphasis on original production to drive viewership, brand recognition and viewer loyalty which explains our large ad purchase increases. This year, we also garnered 21 Gemini nominations for 13 original productions aired on Canal D, Canal Vie, Z and VRAK.TV.

"Strong emphasis on original productions, brand recognition and viewer loyalty explain our large advertising purchase increase."

"Family's viewership reached record highs."

"TELETOON cemented its position as the #3 specialty network overall."

[illegible]
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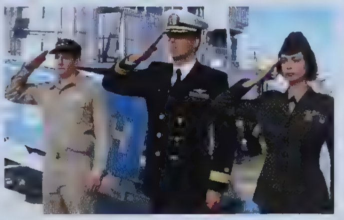
Séries+

JAG
Historia



[illegible]
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MusiquePlus

Duo Benezra
MusiMax

Our newer specialty services all experienced significant gains in terms of viewership share and advertising revenues. Séries+, popular among women 18-54, continued to grow while maintaining its position as the specialty network with the most loyal viewers; Z experienced a dramatic 60% increase in audience share among its 18-49 year-old male following; and Historia managed, for the first time since its launch, to consistently reach an average of over 1 million viewers per week. More significantly, all three of these services have room to grow their penetration levels which are expected to surpass 50% next year.

MusiquePlus and MusiMax continue to be leaders in the Québec music scene. This year, this role was reinforced with over 300 hours of original programming. Shows like the *Musicographie* series, showcasing stories of Québec's greatest music stars, generate some of the best ratings for MusiquePlus and position the network as a musical reference and trend setter in French Canada.

On the digital front, we are continuing to delay the launch of Perfecto, la Chaîne, the Category One digital fashion and design channel held by MusiquePlus, until the digital addressable base in the French-language market reaches a critical mass that can support its viability.

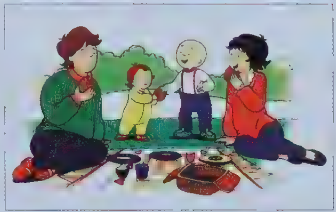
English-Language

Fiscal 2002 was the first year Family operated as a full member of the Astral Television group. It was a spectacular year with Family's viewership reaching record highs; it is now the third highest rated pay or specialty network with teens 12-17, in the English market. Two of Family's programs, *Lizzie McGuire* and *The Amanda Show*, hit the number one spot among all networks, nationally. The popularity of the family.ca Website also continued to grow dramatically, with traffic and page impression growing by 120% and 230%, respectively. Family is continuing to build on its success by further refining its brand positioning to achieve an edgier and more modern personality that better appeals to its core target audience.

Finally, TELETOON cemented its position as the #3 specialty network overall, a formidable achievement given that TELETOON is sold on a third-tier option, and does not automatically enjoy the same access to homes as networks distributed on basic or found lower on the dial.

For its 5th year running, the TÉLÉTOON French network remained the specialty television success story in Québec by maintaining its #1 status with the 2+ age group, and gaining huge momentum with lucrative demos, gaining a 1.5 point share with the 12-17 age group and moving to the 1st position with 18-34 age group (up from 3rd last year).

Henry's World
Family



Caillou
TELETOON /
TÉLÉTOON

Lord of the Rings: Fellowship of the Ring
Subscription Video on Demand (SVOD)

The Year Ahead

On the advertising front, we expect continued growing interest from advertisers to move some of their budgets from conventional television to specialty television.

On the horizon, we are planning to introduce SVOD (subscription video on demand), a new pay-TV product (leveraging off the new VOD services being launched by cable distributors). As in the U.S., this new monthly-subscription product will offer high value to subscribers of The Movie Network and Super Écran, and help distributors increase the attractiveness of their digital offers.

On the digital service front, Cinepop, the digital French-language sister of Mpix, our mini-pay-TV network, is awaiting a larger digital base before launch as well as our Category One service Perfecto, la Chaîne.

By sticking to a core focus on strong brands, high-quality programming, a targeted consumer offer and a disciplined financial approach, we will continue to deliver strong results, setting the standard and forging ahead.

CANADIAN CONTENT

As part of its ongoing commitment to the Canadian broadcasting system and the publics it serves, Astral Media supports the Canadian film, television and radio industries on a variety of fronts.

The Blue Butterfly
Family film pro[illegible]
[illegible]

[illegible]
equity investment
program

[illegible]

In 2002, our French and English-language specialty and pay television networks and our radio stations spent close to $90 million on the purchase and development of Canadian content, original programming and support of emerging talent.

In addition, the Astral Media Harold Greenberg Fund further supports the film industry. Created 16 years ago, this national funding organization, the first of its kind in Canada, fosters the development of quality Canadian productions. Since its inception, the Fund has invested almost $35 million in the Canadian film industry and has supported over 1,500 projects. In 2002, the Fund's English- and French-language programs invested more than $4.5 million to fulfill their missions.

Among the film projects supported by the Fund this past year are movies such as *19 Months*, written and directed by Randall Cole, Deepa Metha's *The Republic of Love*, *Les invasions barbares*, from Denys Arcand, and Erik Canuel's *Nez Rouge*.

Astral Media is committed more than ever to continue playing its leadership role in the support and development of Canadian talent. It is a key element in maintaining our distinct Canadian culture and an efficient way to promote it.

"Astral Media is committed more than ever to continue playing its leadership role in the support and development of Canadian talent."

RADIO
GROUP

"Our expanded product line makes Astral Radio the most attractive and high-performing radio offering for both listeners and advertisers."

[illegible]

[illegible] *le trafi*[illegible]

The KHJ Morning Show [illegible]

Our agreement with Telemedia, announced in May 2001, underwent a long approval process and a jurisdictional dispute that delayed closing of the transaction to the first quarter of Fiscal 2003. Following the approval of the CRTC and an agreement reached with the Competition Bureau, Astral Radio now holds two very solid and complementary FM radio networks in the province of Québec. In fact, the énergie and Radio RockDétente networks reach one in two Quebecers in the very strategic 18 to 49 demographic. Our expanded product line makes Astral Radio the most attractive and high-performing radio offering for both listeners and advertisers.

Astral Media is also making its entry into the English-language market with the acquisition of six FM stations and two AM stations in the Maritimes.

As per our agreement with the Competition Bureau, Astral Media must also divest of its AM assets in the province of Québec. We had already committed to the CRTC to sell CFOM-FM in Quebec City. In September 2002, we agreed to sell these stations to the TVA-Radio Nord Group. Closing of this transaction, subject to the approval of the CRTC, is slated for the latter part of Fiscal 2003.

Despite a relatively volatile radio market in 2002, Astral Radio managed to increase revenues by 2% over last year.

Our FM stations continued to shine in their original and market-savvy, segment-specific programming choices throughout Québec. The énergie network has rebranded itself and now benefits from a new, very dynamic visual identity. Moreover, *Les Grandes Gueules*, which reaches the largest radio audience in Québec, won the Golden Ribbon Award for the best comedy radio program in Canada for the second consecutive year. We are also proud that humorist François Pérusse, a true champion of Québec radio comedy, has joined the énergie network in 2003.

As for RockDétente, the 2002 fiscal year was marked by the arrival of Véronique Cloutier, a true Québec mega star, with her new program *Véronique dans le trafic*, which increased listeners' loyalty and reinforced the network's brand.

Throughout Québec, Radio RockDétente also distinguished itself with the brilliant promotional concept *Souper de filles*, an intricate part of its *Ma radio au boulot* lineup.

During this past year, Astral Radio consolidated its presence on the Internet through radioenergie.com, garnering more hits than any French-language Internet radio site in Canada.

Astral Radio now offers a combination of complementary, highly targeted FM networks in Québec and enters the Atlantic Provinces market with a solid platform. We continue to scan the radio horizon outside of Québec to identify potential acquisitions, secure with the knowledge that Astral Radio is the destination of choice for listeners and advertisers alike.

Anne McNamara
Vice-President, Human Resources,
Astral Radio

Denis Rozon
Vice-President, Finance and Administration,
Astral Radio and
Acting General Manager,
Télé-Annonces

Claude Laflamme
Vice-President, Corporate Affairs,
Astral Radio

Jacques Parisien
President,
Astral Radio

The nine-station énergie FM network targets Québec's young adults with a lively mix of music, humour, promotions, personality and contests – programming that reflects their concerns and their way of life and creates one of the key ingredients for success: listener loyalty. A constant in their format is quality through creativity and innovation, maintaining distinctive sound and high energy. énergie is big enough and strong enough to position itself throughout the province as the one to listen to, while remaining flexible and keeping its "ears to the ground" to respond to local needs.

énergie contributes significantly to the development of Canadian music and Québec artists through organizations like the École nationale de l'humour and MusicAction.
www.radioenergie.com

The Radio RockDétente network and its 6 Québec stations reach close to 2 million listeners. It is the most listened to musical radio in all of Québec. With a formula centered on well-known hits, new musical releases and a very lively team of hosts, it creates an emotionally thrilling universe that listeners can easily relate to.
www.rockdetente.com

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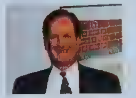
Executive Vice-President,
Astral Radio

Robert Trempe
Vice-President, Sales and Marketing,
Astral Radio

Sylvain Langlois
Vice-President and General Manager,
Radio RockDétente

TÉLÉ ANNONCES

Charles Benoit
Vice-President,
énergie and
Vice-President, New Media,
Astral Radio



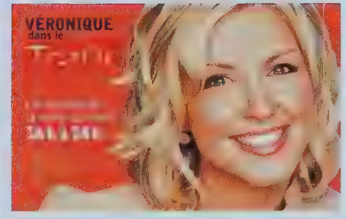
John Eddy
Executive Vice-President,
Astral Radio Atlantic

Radio Atlantic

Astral Radio Atlantic reaches tens of thousands of listeners each week with 8 stations in 5 separate markets: Fredericton, Bathurst, Woodstock and Grand Falls, all in New Brunswick, and Truro in Nova Scotia. It dominates every market it serves by dedication to its communities, and by specializing in three of Canada's most popular music formats: Adult Contemporary, Rock and Country.

Télé-Annonces

Télé-Annonces is a television classified ad service on cable. Télé-Annonces also presents its content simultaneously on the Internet at teleannonces.com. Télé-Annonces' strength resides in the fact that every ad is supported by a picture. Hence its slogan: "À Télé-Annonces, sitôt vu, sitôt vendu" which means when it's seen, it's sold!
www.teleannonces.com



Our agreement with Telemedia, announced in May 2001, underwent a long approval process and a jurisdictional dispute that delayed closing of the transaction to the first quarter of Fiscal 2003. Following the approval of the CRTC and an agreement reached with the Competition Bureau, Astral Radio now holds two very solid and complementary FM radio networks in the province of Québec. In fact, the énergie and Radio RockDétente networks reach one in two Quebecers in the very strategic 18 to 49 demographic. Our expanded product line makes Astral Radio the most attractive and high-performing radio offering for both listeners and advertisers.

Astral Media is also making its entry into the English-language market with the acquisition of six FM stations and two AM stations in the Maritimes.

As per our agreement with the Competition Bureau, Astral Media must also divest of its AM assets in the province of Québec. We had already committed to the CRTC to sell CFOM-FM in Quebec City. In September 2002, we agreed to sell these stations to the TVA-Radio Nord Group. Closing of this transaction, subject to the approval of the CRTC, is slated for the latter part of Fiscal 2003.

Despite a relatively volatile radio market in 2002, Astral Radio managed to increase revenues by 2% over last year.

Our FM stations continued to shine in their original and market-savvy, segment-specific programming choices throughout Québec. The énergie network has rebranded itself and now benefits from a new, very dynamic visual identity. Moreover, *Les Grandes Gueules*, which reaches the largest radio audience in Québec, won the Golden Ribbon Award for the best comedy radio program in Canada for the second consecutive year. We are also proud that humorist François Pérusse, a true champion of Québec radio comedy, has joined the énergie network in 2003.

As for RockDétente, the 2002 fiscal year was marked by the arrival of Véronique Cloutier, a true Québec mega star, with her new program *Véronique dans le trafic*, which increased listeners' loyalty and reinforced the network's brand.

Throughout Québec, Radio RockDétente also distinguished itself with the brilliant promotional concept *Souper de filles*, an intricate part of its *Ma radio au boulot* lineup.

During this past year, Astral Radio consolidated its presence on the Internet through radioenergie.com, garnering more hits than any French-language Internet radio site in Canada.

Astral Radio now offers a combination of complementary, highly targeted FM networks in Québec and enters the Atlantic Provinces market with a solid platform. We continue to scan the radio horizon outside of Québec to identify potential acquisitions, secure with the knowledge that Astral Radio is the destination of choice for listeners and advertisers alike.

RADIO GROUP

Astral Radio's Fiscal 2002 was marked by three key elements: maintaining our position as the programming frontrunner in all of our markets, growing our advertising revenues and materializing our expansion strategy in Québec and the Maritimes by preparing the conclusion of the transaction with Telemedia.

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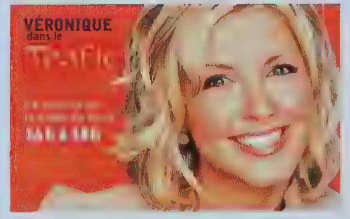

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Cité RockDétente

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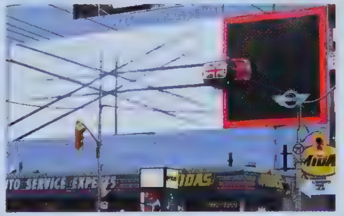
Pierre Guérin
Head – Bill poster

Yvon Bouffard
Head – Bill poster

OUTDOOR ADVERTISING

"The creativity, flexibility and geographic locations of Astral Media Outdoor products make for a highly coveted offering in the outdoor advertising industry."



Despite the sharp decline in advertising investment in some large Canadian markets in 2002, AMO aggressively pursued sales efforts by restructuring the sales teams and launching an innovative marketing program through initiatives like the *L'art de se tenir debout* contest, which generated a 37% increase in clientele for our "Classic" product line as compared to last year.

We remained attentive to the needs of our clients, increasing our inventory to some 3,500 advertising faces mainly in the major Canadian cities of Montréal, Toronto, Vancouver and, more recently, in Edmonton, where 23 new faces have been installed.

AMO also operates a very original network of urban columns, reaching scores of people on the move in large cities. Our column network is now well established in Montréal, Longueuil, Chicoutimi and Sherbrooke, totalling some 1,025 advertising faces.

The creativity, flexibility and geographic locations of AMO products make for a highly coveted offering in the outdoor advertising industry.

Montréal is a case in point, where AMO distinguishes itself by its strategic positioning, reaching an average audience per site which is 20% greater than that of the competition. We also have approximately one hundred advertising faces (in various formats) at the Dorval Airport in Montréal, reaching over 8 million travellers every year.

In the greater Toronto area, AMO operates a network of 774 advertising faces including the largest outdoor advertising surface in Canada at Molson Hall, measuring over 13,000 square feet, and the unique and distinctive advertising structures situated at Ontario Place.

AMO will continue to develop its market presence in western Canada to strengthen its national coverage and increase its market share in Canada's major cities. We also intend to develop our presence in the Toronto market through new leases or acquisitions. Creativity is what sets AMO apart and we will continue to build new and innovative structures motivating the creative thinking of advertisers and agencies alike. At the behest of our advertisers, our vast network of columns will be expanded to include more cities. Astral Media Outdoor will continue to exercise rigorous control over operating costs and site-related expenses, with a view to constantly improving financial performance.

Pierre Guérin
Head - Bill-poster

Yvon Bouffard
Head - Bill poster

René Desmarais
President,
Astral Media Outdoor

Astral *Media* **Outdoor**®

Robert Ranger
Vice-President, Finance and Operations, Astral Media Outdoor

Boundless creativity and an uncanny flair for innovation have made ***Astral Media Outdoor*** one of Canada's largest outdoor advertising companies. Now well established as a frontrunner in the advertising industry, Astral Media Outdoor boasts a network of approximately 3,500 advertising faces in Québec, Ontario, British Columbia and Alberta.

Moreover, not only was Astral Media Outdoor the first company in North America to offer a vertical advertising format in 1987, but it has also distinguished itself through its unique network of 650 urban columns.

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Head – Bill-poster

Yvon Bouffard
Head – Bill-poster

OUTDOOR ADVERTISING

After a slow year in 2001 marked principally by a downturn in tobacco-related advertising, Astral Media Outdoor (AMO) deployed a creative strategy that grew sales figures by 12% in 2002, an increase that surpassed the performance of the Canadian outdoor advertising industry as a whole.

Despite the sharp decline in advertising investment in some large Canadian markets in 2002, AMO aggressively pursued sales efforts by restructuring the sales teams and launching an innovative marketing program through initiatives like the *L'art de se tenir debout* contest, which generated a 37% increase in clientele for our "Classic" product line as compared to last year.

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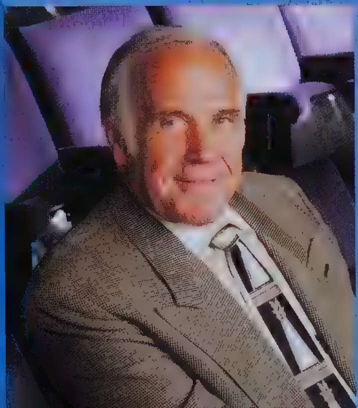

ASTRAL MEDIA

CORPORATE SERVICES

Sidney Greenberg
Vice-President,
Astral Media Inc.

From left to right: **Louis Ryan**, Vice-President, Strategic Planning and e-business; **Alain Bergeron**, Vice-President, Communications; **Sophie Émond**, Vice-President, Regulatory and Governmental Affairs; **Gaétan Ayotte**, Assistant Vice-President, Human Resources; **Louis Marcotte**, Assistant Vice-President, Finance; **Monique Ryan**, Vice-President, Legal Affairs and Secretary; **Michel Arpin**, Senior Adviser, Regulatory and Governmental Affairs; **Claude Gagnon**, Vice-President, Finance; and **Arnold Chiasson**, Vice-President, Human Resources.

BOARD OF DIRECTORS

Normand Beauchamp
President
Capital N.D.S.L. inc.

Austin C. Beutel
Corporate Director

Edward M. Bronfman, O.C.
President
Maured Limited

André Bureau, O.C.
Chairman of the Board
Astral Media Inc.

Jack L. Cockwell
Co-Chairman
Brascan Corporation

George A. Cohon, O.C.
Founder and Senior Chairman
McDonald's Restaurants
of Canada Ltd.

Paul V. Godfrey, C.M.
President and
Chief Executive Officer
Toronto Blue Jays
Baseball Club

Serge Gouin
Vice-Chairman
Salomon Smith Barney Canada Inc.

Edith Greenberg
Chairperson
Halgreen Holdings Inc.

Ian Greenberg
President and
Chief Executive Officer
Astral Media Inc.

Sidney Greenberg
Vice-President
Astral Media Inc.

Mila P. Mulroney
Honorary Director
Canadian Cystic
Fibrosis Foundation

Timothy R. Price
Chairman of the Board
Brascan Financial Corporation

ASTRAL MEDIA **FINANCIAL REVIEW**

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MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following comments on the financial situation and the results of operations of Astral Media Inc. (the "Company" or "Astral") should be read in conjunction with the Company's audited consolidated financial statements.

GENERAL

Astral Media Inc. is a leading Canadian media company active in specialty, pay and pay-per-view television, radio and outdoor advertising. The Company is the country's largest operator of English and French specialty, pay, and pay-per-view television services, involved on its own or with partners, in 19 network licences. In radio, the Company owns 11 FM stations, including the 9-station énergie network, and 3 AM stations, and is a 50 percent owner of Radiomédia, which operates 2 AM stations and radio news and sports networks in the province of Québec. Astral Media Outdoor is one of Canada's most innovative outdoor advertising companies, with some 3,500 faces in Québec, Ontario, Alberta, British Columbia and in Cleveland, Ohio. Astral has a presence on the Internet through 18 Web sites, and has a majority interest in Artech Digital Entertainments, a leading developer of games and software. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols: ACM.A/ACM.B.

ACCOUNTING PRINCIPLES AND PRESENTATION

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). A summary of the Company's accounting policies is available in note 1 of the audited consolidated financial statements.

HIGHLIGHTS

Acquisitions and Disposals

a) Fiscal 2002:

Business acquired	Date of acquisition	Interest acquired	Segment
Astral Media Outdoor, L.P.	December 21, 2001*	6%	Outdoor Advertising
Astral Media Outdoor, L.P.	January 29, 2002*	8%	Outdoor Advertising

** These acquisitions took effect September 1, 2001.*

On October 11, 2001, the Company sold its 14.95% interest in The Comedy Network Inc. ("Comedy") to Corus Entertainment Inc. for cash proceeds of $18 million, recording a pre-tax gain of $17 million ($13 million net of income tax).

b) Fiscal 2001:

Business acquired	Date of acquisition	Interest acquired	Segment
Astral Media Outdoor, L.P.	December 21, 2000*	7%	Outdoor Advertising
Entreprises Radio Etchemin Inc. ("CFOM-FM")	March 2, 2001	100%	Radio
The Family Channel Inc. ("Family")	May 30, 2001	50%	Television
Teletoon Canada Inc. ("Teletoon")	May 30, 2001	20%	Television
3145069 Canada Inc. ("CFEI-FM")	August 27, 2001	100%	Radio
3224503 Canada Inc. ("CHRD-FM")	August 27, 2001	100%	Radio

** This acquisition took effect September 1, 2000.*

On November 24, 2000, the Company sold its 63.15% interest in Covitec Group Inc. ("Covitec") to Technicolor Canada Acquisition Corp. for cash proceeds of $36.1 million. The results of Covitec's operations until the day of the sale and the gain from the sale of the shares are reported as discontinued operations.

SHARE CAPITAL

a) Fiscal 2002 – Stock Split:

On March 28, 2002, the Company's shareholders approved the subdivision of its Special shares, Class B Subordinate voting shares and Class A non-voting shares on a 2 for 1 basis. The shares began trading on a split basis on April 9, 2002 and all per-share data have been adjusted retroactively to reflect the stock split.

b) Fiscal 2001 – Share Issuances:

On September 14, 2000, the Company issued 5,000,000 Class A non-voting shares for cash proceeds of $96.2 million less $2.4 million of share issuance costs (net of a recovery of income taxes of $1.7 million). The proceeds were used primarily to repay long-term debt.

On March 27, 2001, the Company issued 4,260,000 Class A non-voting shares for cash proceeds of $100.1 million, less share issuance costs of $2.5 million (net of a recovery of income taxes of $1.8 million). The proceeds were used mainly for the acquisition of The Family Channel Inc. ("Family") and other acquisitions as described above.

RECENT DEVELOPMENTS

On September 3, 2002, the Company signed an agreement with the Competition Bureau permitting it, subject to certain conditions, to proceed with its acquisition of 19 radio stations from Telemedia Corporation ("Telemedia") in Québec, New Brunswick and Nova Scotia. This transaction was approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") in April 2002.

Under the terms of the agreement, following the closing of its transaction with Telemedia, the Company is required to offer to sell, as a network, its French-language AM radio assets in the province of Québec (the "Québec AM assets"). Astral is also required to dispose of its CFOM-FM station in Quebec City under the conditions of the CRTC decision approving the transaction with Telemedia.

As a result of the agreement reached with the Competition Bureau, the Company and Telemedia modified the terms of their transaction such that the Company will acquire Telemedia's radio assets for $120 million cash and 5,333,333 Class A shares. The Company and Telemedia will also equally share the net proceeds from the disposition of the Québec AM assets.

The Company also announced on September 3, 2002, that it had agreed to sell all of its Québec AM assets and CFOM-FM to a business venture owned by TVA Group Inc. and Radio Nord Communications inc. ("TVA-Radio Nord"), thereby complying with the conditions described above.

TVA-Radio Nord will be acquiring these radio assets for $12.75 million in cash. Of this amount, proceeds of $8.0 million pertain to the Québec AM assets and will be shared equally with Telemedia. Closing of the sale, subject to the approval of the CRTC, is slated for the latter part of Fiscal 2003. The Company has recorded a provision of $8.1 million ($5.6 million net of income tax) in Fiscal 2002 to reflect the impairment of the broadcast licence related to CFOM-FM, recorded when the station was acquired in Fiscal 2001.

ACCOUNTING POLICY CHANGES

Effective September 1, 2001, the Company adopted, on a retroactive basis, the Canadian Institute of Chartered Accountants' ("CICA") recommendations relating to the calculation and presentation of earnings per share information. Under the recommendations, the treasury stock method should be used rather than the imputed earnings approach for determining the dilutive effects of warrants and options when calculating diluted earnings per share. Adoption of these recommendations did not have a significant impact on the Company's diluted earnings per share calculation.

Effective September 1, 2001, the Company adopted on a prospective basis the CICA's recommendations on *Goodwill and Other Intangible Assets*. Under the new recommendations, goodwill and broadcast licences, which were determined to have an indefinite useful life, are no longer amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company has concluded that no provision for impairment was required other than the one related to the sale of CFOM-FM described above.

Additional information is provided in note 1 accompanying the audited consolidated financial statements.

SUPPLEMENTARY EARNINGS MEASURE

In addition to providing earnings measures in accordance with GAAP, the Company's statements of earnings show earnings before interest, income taxes, depreciation, amortization and non-controlling interest ("EBITDA") as a supplementary earnings measure. Other items such as the result from disposition of assets are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. EBITDA is provided to assist investors in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes.

CONSOLIDATED OPERATING RESULTS

	3 months ended August 31		12 months ended August 31	
(in thousands of $ except per-share data)	2002 (unaudited)	2001 (unaudited)	2002	2001
Revenues				
Television	80,865	74,385	318,605	267,977
Radio	13,045	12,563	49,501	48,181
Outdoor	8,436	7,892	32,353	28,958
Total revenues	102,346	94,840	400,459	345,116
EBITDA				
Television	25,889	20,347	88,894	67,293
Radio	3,596	2,576	8,426	8,708
Outdoor	2,904	2,348	9,004	8,308
Corporate	(3,395)	(3,928)	(11,302)	(11,332)
Total EBITDA	28,994	21,343	95,022	72,977
Net earnings from continuing operations*	10,456	6,922	57,110	29,732
Net earnings from discontinued operations	–	6	–	4,922
Net earnings*	10,456	6,928	57,110	34,654
Earnings per share – continuing operations*	0.21	0.14	1.16	0.65

** Please see Comparable Earnings below.*

Revenues for the fourth quarter ended August 31, 2002 grew 8% compared to the same quarter last year, and 16% for the twelve-month period. The Television and Outdoor segments showed growth rates of 9% and 7% respectively for the quarter and 19% and 12% respectively for the year while the Radio segment grew by 4% for the quarter and 3% for the year. Subscription-related revenues were up 9% for the quarter, while advertising revenues increased 10% compared to the same quarter last year. For the year, subscription-related revenues increased 19% while advertising revenues increased by 13%. Further analysis is provided below.

Operating expenses of $73.4 million were stable as compared to the same quarter last year. For the twelve-month period, operating expenses increased by 12% to $305.4 million. The increase was mainly attributable to the acquisitions completed in Fiscal 2001, to programming expenses which are related to higher subscriber revenues, selling expenses which vary with the advertising revenues and to additional rental charges in the Outdoor Advertising segment.

The resulting EBITDA increased 36% in the fourth quarter, all organically (i.e. excluding acquisitions), mostly due to higher revenues. For the year, EBITDA is up 30% including the impact of acquisitions and 19% without the acquisitions.

As mentioned above, effective September 1, 2001, amortization of goodwill and broadcast licences is no longer required.

Interest income, which is shown net of interest expense on the statements of earnings, is generated on the Company's cash balances which are invested in short-term securities. Interest expense includes interest paid on short-term borrowings and stand-by fees on the Company's credit facilities.

Non-controlling interest has been eliminated this fiscal year due to the fact that the Company's interest in Astral Media Outdoor, L.P. ("Outdoor") was increased from 86% to 100% effective September 1, 2001. The increased holding in Outdoor does not have any impact on revenues or EBITDA as the investment is accounted for on a consolidation basis.

The effective income tax rate for the Fiscal 2002 period is 36.5% which is below the statutory rate of 38.7% mainly because half of the gain on the sale of Comedy is non-taxable. In the same twelve-month period last year, the effective rate was 32.3% but the tax provision included a one-time $5.6 million recovery of future income taxes due to a reduction of enacted income tax rates. This was partly offset by the impact of the non-deductible amortization of broadcast licences and goodwill included in pre-tax earnings.

COMPARABLE EARNINGS

Financial statements for Fiscal 2002 and 2001 reflect a number of non-recurring items and accounting policy changes which affect the comparability of the figures. These items include:

- Amortization of broadcast licences and goodwill which is no longer required in Fiscal 2002 under CICA recommendations;
- The $13.0 million after-tax gain on the sale of Comedy in the first quarter of Fiscal 2002 which is non recurring;
- The $5.6 million future income tax recovery recorded in the second quarter of Fiscal 2001. Although such recoveries may happen in future periods, they are unusual and should be isolated when comparing to other periods; and,
- The $5.6 million (after tax) write-down on CFOM-FM's broadcast licence in the last quarter of Fiscal 2002 to reflect the estimated loss on disposal (see "Recent Developments").

Comparable results, adjusted to exclude the above items, are as follows:

	3 months ended August 31		12 months ended August 31	
(in thousands)	2002 (unaudited)	2001 (unaudited)	2002	2001
Net earnings from continuing operations, as reported	$ 10,456	$ 6,922	$ 57,110	$ 29,732
Amortization of broadcast licences and goodwill (net of tax effect)	–	3,451	–	11,322
Gain on sale of Comedy, after tax	–	–	(12,995)	–
Write-down of broadcast licence related to the pending sale of CFOM-FM, after tax	5,600	–	5,600	–
Income tax recovery	–	–	–	(5,630)
Comparable net earnings from continuing operations	$ 16,056	$ 10,373	$ 49,715	$ 35,424

	3 months ended August 31		12 months ended August 31	
(in $)	2002 (unaudited)	2001 (unaudited)	2002	2001
Basic earnings per share from continuing operations, as reported	$ 0.21	$ 0.14	$ 1.16	$ 0.65
Amortization of broadcast licences and goodwill (net of tax effect)	–	0.07	–	0.25
Gain on sale of Comedy, after tax	–	–	(0.26)	–
Write-down of broadcast licence related to the pending sale of CFOM-FM, after tax	0.11	–	0.11	–
Income tax recovery	–	–	–	(0.12)
Comparable basic earnings per share from continuing operations	$ 0.32	$ 0.21	$ 1.01	$ 0.78

TELEVISION

The television market has been somewhat tumultuous this year with the fall 2001 launch of the diginets (some 50+ new digital networks) and the softening of the advertising market, further affected by the events of September 11th, 2001. Although these circumstances have had some effect on subscriber and advertising growth, Astral's Television segment performed well. The fourth quarter was marked by strong advertising revenues which may indicate the beginning of a recovery in the market.

Revenues from Television for the fourth quarter of Fiscal 2002 are up 9% over those of the same quarter last year, all of which is organic as Family and Teletoon were acquired on May 30, 2001. For the twelve-month period, revenues increased 19% including $24.5 million from acquisitions which thus translates to 10% organic growth.

Subscriber-related revenues of $68.4 million for the quarter increased by $5.8 million or 9% compared to last year. For the twelve-month period, subscriber-related revenues totalled $268 million, up 19% from last year, and include $20.1 million from acquisitions. Pay television subscribers (The Movie Network and Super Écran) totalled 1.2 million at the end of August 2002, compared to 1.1 million a year earlier, generating 11% growth in pay television revenues. Specialty subscriber revenues rose 26% for the year while pay-per-view revenues are up 25% for the same period.

Advertising revenues of $9.7 million for the quarter increased by $2.0 million or 26% over last year. For the twelve-month period, advertising revenues of $42 million increased $9.9 million or 31%, of which $4.3 million came from acquisitions.

Operating expenses of $55.0 million for the quarter are $0.9 million or 2% higher than last year. On a year-to-date basis, expenses of $229.7 million are up $29.0 million or 14%, including $16 million from acquisitions. The increases are explained mainly by higher programming expenses, which vary according to the number of subscribers and related revenues. For the pay television networks, The Movie Network and Super Écran, whose licences were renewed effective December 1, 2001, operating expenses include additional programming expenses due to increased Canadian content ("Cancon") spending requirements under their new conditions of licence. Cancon requirements are calculated as a percentage of the prior year's revenues and the new conditions have been modified so that previously excluded DTH subscriber revenues are now included in the calculation. The impact on the Company's results is significant as DTH revenues have driven most of the networks' recent growth but actions have been taken to mitigate the impact and ensure that the Company's results and margins remain on target.

Television EBITDA of $25.9 million for the quarter is therefore $5.5 million or 27% higher than last year, all organic growth, and EBITDA of $88.9 million for the twelve-month period is up $21.6 million or 32%. Excluding the impact of the acquisitions, organic EBITDA growth for the year is 19%. EBITDA margins for the year are up to 27.9% compared to 25.1% last year, an 11% improvement.

RADIO

Radio revenues for the fourth quarter amounted to $13 million which is $0.5 million higher than last year, an increase of 4%. On a year-to-date basis, revenues increased by 3%. These revenues include the impact of the acquisition of FM radio stations in Fiscal 2001 which generated additional revenues of $0.3 million in the fourth quarter and $2.2 million for the year. The Québec market had an estimated 4% growth in the quarter and 2% for the year.

The Radio group's operating expenses for the quarter are $0.5 million lower than last year as a result of cost reduction initiatives to mitigate the impact of having additional administrative structures to accelerate the impending integration of the Telemedia radio stations (see "Recent Developments"). Overall for the year, operating expenses are 4% higher than last year because of acquisitions and the above-mentioned integration structural charges.

EBITDA is up $1 million or 40% for the quarter due to higher revenues and reduced operating expenses. For the year, EBITDA is slightly lower at $8.4 million compared to $8.7 million and consequently EBITDA margins are 17% compared to 18% a year earlier.

OUTDOOR ADVERTISING

Outdoor Advertising revenues for the fourth quarter increased by $0.5 million or 7% over last year and by $3.4 million or 12% for the year. Growth was driven by the Québec market where higher levels of occupancy and stable prices were maintained. The market has improved in Toronto but it remains highly competitive and exposed to continued price discounting. The inventory of structures was increased by some 100 faces in Fiscal 2002 for a total of approximately 3,500 faces at year-end.

Operating expenses were flat for the quarter and $2.7 million or 13% higher on a year-to-date basis because of increases in site rental costs for existing advertising structures and for new sites built during the year.

EBITDA is up $0.6 million for the quarter and $0.7 million for the year, representing 24% and 8% growth for the quarter and the year respectively.

CORPORATE COSTS

Corporate costs for Fiscal 2002 are essentially equal to those of last year.

QUARTERLY PERFORMANCE (CONTINUING OPERATIONS)

Approximately two-thirds of the Company's revenues are subscriber based and as such do not vary significantly on a quarter-to-quarter basis. The balance of Astral's revenues is generated by advertising sales which normally follow strong seasonal patterns with the first and third quarters being the most favorable Quarterly performance should therefore be interpreted taking these factors into account.

The following table highlights the Company's **quarterly results of continuing operations** for Fiscal 2002 and 2001:

2002

(in thousands of $ except per-share data)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues	100,453	93,195	104,465	102,346	400,459
EBITDA	20,177	19,128	26,723	28,994	95,022
Net earnings	22,793	9,750	14,111	10,456	57,110
Earnings per share	0.47	0.20	0.29	0.21	1.16
Cash flow per share	0.29	0.30	0.36	0.38	1.33

2001

(in thousands of $ except per-share data)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues	83,121	79,460	87,695	94,840	345,116
EBITDA	15,407	15,711	20,516	21,343	72,977
Net earnings	4,172	10,551	8,087	6,922	29,732
Earnings per share	0.10	0.24	0.17	0.14	0.65
Cash flow per share	0.25	0.24	0.29	0.30	1.09

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow from continuing operations amounted to $65.4 million for the twelve months ended August 31, 2002 compared to $49.5 million a year earlier, an increase of 32%. For the fourth quarter, cash flow from continuing operations increased 31% to $19 million. The additional cash flow is attributable to increased earnings.

Cash and short-term investments increased to $73.1 million at the end of Fiscal 2002 from $12.6 million a year earlier. The Company's cash position includes cash carried by its joint ventures as well as Corporate cash balances, which are invested in short-term investments. The increase in the cash position was generated mainly by the Company's operating activities.

Accounts receivable and other current assets increased from $74.4 million in 2001 to $82.3 million in 2002 as a result of higher revenues in Fiscal 2002.

Program and film rights are stable at $64.9 million compared to $66.4 million in 2001. Program and film rights on the balance sheet represent the unamortized cost of programming acquired by the Company's television networks.

Investments and other assets include mainly deferred charges, pension plan assets and the long-term portion of employee loans. Deferred charges represent network licence application and development costs which are amortized over the term of the licences as well as $4.2 million of costs associated with the pending acquisition of Telemedia's radio stations which will be included in the cost of acquisition upon the closing of the transaction. The Company's 14.95% interest in The Comedy Network Inc. which was sold on October 11, 2001 for $18 million was accounted for on an equity accounting basis and included in this caption in Fiscal 2001.

The increase in **accounts payable and accrued liabilities** from $75.4 million last year to $92.1 million this year is principally due to higher levels of purchases and timing issues.

The Company had no **long-term debt** at the end of Fiscal 2002, as was the case at the end of the prior year. The Company has access to **credit facilities** of $167.5 million which, in addition to its cash balances, are more than sufficient to pay for the $120 million cash portion of the consideration for the acquisition of Telemedia's radio stations in Québec and the Maritimes.

The **book value per share** of the Company increased by 9.2% to $12.09 per share as compared with $11.07 per share at August 31, 2001. Shares outstanding at year-end have increased to 49.58 million in Fiscal 2002 from 48.55 million a year earlier.

CAPITAL EXPENDITURES

Capital expenditures amounted to $11.6 million in Fiscal 2002 compared to $20.2 million last year. In Fiscal 2001, significant non-recurring expenditures were made for the acquisition and construction of broadcasting pre-origination facilities and leasehold improvements in the Television division. In Fiscal 2002, the most significant acquisitions pertain to outdoor advertising structures, broadcasting equipment, computer hardware and software. Capital spending in Fiscal 2003 is estimated at $17 million, mainly for the same types of assets. Of the $5.4 million spending increase in the coming year, approximately $2.0 million is related to projects delayed from Fiscal 2002.

RISKS AND UNCERTAINTIES

The Company faces a number of risks and uncertainties in all its businesses.

Technology and communication protocols are constantly changing and impact all of the Company's Television and Radio activities. The Company has generally shown itself to be a leader in most of its businesses rather than reacting to developments by others and has managed to benefit from new technologies.

The **Television** group is dependent on broadcasting distribution undertakings ("BDUs") (including cable, satellite services ("DTH") and multichannel multipoint distribution systems ("MMDS")) for distribution of its television services. There could be a negative impact on revenues if distribution affiliation agreements with BDUs are not renewed on terms and conditions similar to those currently in effect. Affiliation agreements with BDUs are multi-year in duration and expire at various points in time and the Company maintains strong relationships with all its distributors.

Subscription revenues are dependent on the number of subscribers and the wholesale rate billed by the Company to BDUs for carriage of its individual networks. The extent to which the subscriber bases will grow is uncertain. The growth of the subscriber base for digital services supporting much of the Company's growth is dependent upon the ability of BDUs, and in particular, the cable companies, to deploy and expand their digital technologies and upon the willingness of subscribers to accept and pay for the digital technology required to carry any of the digital services.

The Company has eagerly anticipated the rollout of new **digital cable set-top boxes** with their ability to increase channel capacity and encryption technology which deters signal theft. This should have a positive impact on the Company's pay and pay-per-view operations. While cable operators have begun the roll-out of new boxes, it is not known when a significant number of boxes will be made available.

The Company's Radio and Outdoor revenues, and a growing portion of its Television revenues, are derived from the sale of **advertising**. Advertising sales are subject to fluctuations as a result of changes in the economic environment, the marketplace and audience ratings. The Company constantly monitors changes in its operating environment in order to minimize any possible adverse effect of these changes.

The cable industry has undergone **consolidation** and as a result, a small number of cable companies comprise the majority of the subscriber base for the Company's networks. This risk has been reduced as competing DTH distribution undertakings have achieved appreciable levels of subscriber penetration. With the continuing growth of digital subscribers, the Company will benefit from higher subscriber revenues. There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To alleviate this risk, the Company enters into long-term contracts with customers.

The Company's Television and Radio broadcasting units are **regulated** by the CRTC. While this regulated framework provides a stable environment and supports the Canadian broadcasting industry from undue foreign influence, these circumstances could change at any time. The impact on the Television and Radio segments of any possible changes to broadcast policy and regulations cannot be determined. However, the broadcast licences held by the Company are in good standing and Astral is confident of its ability to satisfy the conditions of licence of its broadcast undertakings. Management continues to monitor the regulatory environment to identify risks and opportunities resulting from any changes.

The CRTC from time-to-time issues new licences for a variety of services. **Competitive licences** granted to other companies increase the competition for viewers, programming and advertising dollars. There also exists competition for the computer-literate consumers who now spend part of their leisure time in front of the computer, on Internet as opposed to the television. These factors have not had a measurable effect on the revenue or earnings of networks within the Television group. Furthermore, the Company does not believe that potential competing video-on-demand ("VOD") services will have an impact on any of its services in the foreseeable future.

The Company's Outdoor Advertising business is also subject to **regulations**, namely regarding the right to build advertising panels in public areas. Recent changes to regulations by the ministère des Transports du Québec may inhibit the Company's future ability to build new sites on specific highways. The proposed application of the law is not yet determined and is currently under discussion.

The Company's revenues and results of operations are and will continue to be influenced by prevailing general **economic conditions**. In the event of a general economic downturn or a recession, purchasers of the Company's advertising inventories may substantially reduce their advertising budgets. In the event of such an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately two-thirds of the Company's revenues are subscriber based. These are significantly more stable in an uncertain economic environment.

OUTLOOK

The Company is involved in a dynamic industry which continues to offer both opportunities and challenges. As the regulatory framework and economic environment change, the Company has the opportunity to grow organically, through the launching of new networks and through acquisitions. On the other hand, the Company is facing increased competition and economic pressures within the Canadian broadcasting and advertising markets.

Nevertheless, the fundamental factors underlying the Company's business remain positive.

The **Television** segment is looking forward to an increase in earnings in Fiscal 2003 principally from the growth of the digital subscriber base as well as advertising revenues.

The **Radio** segment is expected to substantially grow its earnings following the acquisition of Telemedia's Québec and Maritimes radio stations. The acquisition will be synergistic and will have a positive impact on revenues, EBITDA and EBITDA margins, net earnings and cash flows.

Earnings from **Outdoor Advertising** will grow as occupancy levels are expected to remain high, new sites will be built and increases in rental charges continue to level off.

Overall, the Company expects organic **EBITDA growth** in Fiscal 2003 to be in the range of 10% to 15%.

The Company maintains a strong balance sheet and its cash flow and **financial resources** are more than sufficient to meet its operational obligations and to finance any acquisition which supports its growth strategy.

The Company intends to continue its current **dividend practice**.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2001, the CICA issued recommendations on *Stock-based compensation and other stock-based payments*, effective for fiscal years beginning on or after January 1, 2002. This pronouncement establishes a new policy for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided to a company by both employees and non-employees. The standard is effective for the Company's fiscal year beginning September 1, 2002 and is applied to stock-based awards granted on or after that date. The impact of implementing the recommendations has yet to be determined.

CORPORATE GOVERNANCE

The Company's annual and quarterly financial statements, including the MD&A, are reviewed and approved by the audit committee prior to their publication according to regulatory requirements. The audit committee is composed of four independent board members and all of them have extensive financial experience to properly assess the quality and reliability of the Company's financial statements. The Company's auditors provide only audit and tax-related services on an on-going basis.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions, on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of Astral Media Inc. and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee which consists of three outside directors appointed by the Board.

The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.

Ian Greenberg
President and Chief Executive Officer

Claude Gagnon, CA
Vice-President, Finance

Montréal (Québec)
October 4, 2002

AUDITORS' REPORT

To the Shareholders of Astral Media Inc.

We have audited the consolidated balance sheets of Astral Media Inc. as at August 31, 2002 and 2001 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Montréal (Québec)
October 4, 2002

CONSOLIDATED BALANCE SHEETS

As at August 31
(in thousands)

		Notes	2002	2001
ASSETS	Current			
	Cash and short-term investments		$ 73,131	$ 12,619
	Accounts receivable and other current assets		82,304	74,438
	Program and film rights		43,160	41,932
	Current assets of discontinued operations	4	–	1,000
			198,595	129,989
	Program and film rights		21,762	24,492
	Investments and other assets	5	9,313	8,780
	Fixed assets	6	68,436	69,222
	Broadcast licences	7	589,185	597,207
	Goodwill	8	89,240	83,159
			$976,531	$912,849
LIABILITIES	Current			
	Accounts payable and accrued liabilities		$ 92,134	$ 75,417
	Program and film rights payable		54,642	57,838
			146,776	133,255
	Future income taxes	14	195,827	197,437
	Other liabilities	11	24,993	27,978
	Non-controlling interest	2	–	6,247
	Non-current liabilities of discontinued operations	4	9,201	10,283
SHAREHOLDERS' EQUITY	Capital stock	12	465,497	453,124
	Retained earnings		134,237	84,525
			599,734	537,649
			$976,531	$912,849

See accompanying notes and subsequent events (note 19).

On behalf of the Board:

Ian Greenberg
Director

André Bureau
Director

CONSOLIDATED
STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended August 31 *(in thousands except per-share data)*	Notes	2002	2001
Revenues		$400,459	$345,116
Operating expenses		305,437	272,139
EBITDA	1	95,022	72,977
Interest income	13	(265)	(342)
Depreciation		12,403	11,160
Amortization of broadcast licences and goodwill	1	–	14,986
Amortization of deferred charges	1	1,782	2,517
Non-controlling interest	2	–	709
Earnings before the following item		81,102	43,947
Result from disposition of assets	3	8,891	–
Earnings before income taxes		89,993	43,947
Income tax provision	14	32,883	14,215
Net earnings from continuing operations		57,110	29,732
Net earnings from discontinued operations	4	–	4,922
Net earnings		$ 57,110	$ 34,654
Dividends		(7,398)	(6,940)
Retained earnings – beginning of year		84,525	56,811
Retained earnings – end of year		$134,237	$ 84,525
Earnings per share from continuing operations	12		
– Basic		$ 1.16	$ 0.65
– Diluted		$ 1.14	$ 0.64
Earnings per share			
– Basic		$ 1.16	$ 0.76
– Diluted		$ 1.14	$ 0.75

See accompanying notes.

CONSOLIDATED
STATEMENTS OF CASH FLOWS

For the years ended August 31
(in thousands except per-share data)

		Notes	2002	2001
Cash provided by (used for):		1		
OPERATIONS	Net earnings from continuing operations		$ 57,110	$ 29,732
	Depreciation and amortization		14,185	28,663
	Future income taxes		1,454	(9,203)
	Share of equity earnings		–	(373)
	Result from disposition of assets, after tax		(7,395)	–
	Non-controlling interest		–	709
	Cash flow from continuing operations		65,354	49,528
	Change in non-cash operating items	15	(236)	(8,881)
	Cash flow from continuing operating activities		65,118	40,647
DISCONTINUED OPERATIONS		4	(82)	37,497
INVESTING	Proceeds from sale of investment, after tax	3	14,021	
	Business acquisitions, net of cash acquired	2	(11,903)	(128,929)
	Additions to fixed assets		(11,617)	(20,244)
			(9,499)	(149,173)
FINANCING	Decrease in bank indebtedness		–	(9,688)
	Repayment of long-term debt		–	(100,934)
	Increase in capital stock		12,373	189,316
	Dividends		(7,398)	(6,940)
			4,975	71,754
	Increase in cash		60,512	725
	Cash – beginning of year		12,619	11,894
	Cash – end of year		$ 73,131	$ 12,619
	Cash flow per share from continuing operations			
	– Basic		$ 1.33	$ 1.09
	– Diluted		$ 1.31	$ 1.07

See accompanying notes and supplementary cash flow information (note 15).

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2002 and 2001

Astral Media Inc. ("Astral" or the "Company") is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television, radio and outdoor advertising.

1. ACCOUNTING POLICIES

a) Basis of Presentation:

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in Canadian dollars.

The results of operations of acquired businesses are included from their respective dates of acquisition. Discontinued operations consist of segments which were disposed of or for which a formal plan of disposition or discontinuance was approved.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2002.

b) Principles of Consolidation:

The consolidated financial statements include the accounts of Astral Media Inc. and its wholly-owned subsidiaries as well as its proportionate share of assets, liabilities, revenues and expenses of jointly controlled companies. All inter-segment transactions and balances are eliminated on consolidation.

Significant subsidiaries are as follows as at August 31:

	Percentage owned	
	2002	2001
Astral Broadcasting Group Inc.*	100	100
The Family Channel Inc. (note 2)	100	100
Astral Radio Inc.	100	100
Astral Media Outdoor, L.P. (note 2)	100	86

** On September 1, 2001, Astral Television Networks Inc., Les Chaînes Télé Astral inc. and Astral Broadcasting Group Inc. merged their operations to form one legal entity, Astral Broadcasting Group Inc. Astral Television Networks and Les Chaînes Télé Astral became divisions of Astral Broadcasting Group Inc. There is no impact on the consolidated financial statements.*

The Company owns jointly with unrelated parties the following joint ventures as at August 31:

	Percentage owned	
	2002	2001
Artech Digital Entertainments Inc.	51	51
Viewer's Choice Canada Inc.	50.1	50.1
Historia & Séries+, S.E.N.C.	50	50
MusiquePlus inc.	50	50
Radiomédia inc.	50	50
Teletoon Canada Inc. (note 2)	40	40
Canal Indigo, S.E.N.C.	20.04	20.04

c) Revenue Recognition:

The Company earns revenue from several sources. Revenue recognition policies are as follows:

I. Monthly fees in connection with television subscriptions are recorded as revenue on a pro-rata basis over the month. Revenues are generally calculated using an average number of subscribers during the month and the contractual wholesale rate;

II. Advertising revenue is recorded in the months that advertising airs on the Company's radio or specialty television stations or appears on the Company's advertising panels; and,

III. Revenue from pay-per-view sales and other sales are recorded as the services or products are provided.

1. ACCOUNTING POLICIES (cont'd)

d) Program and Film Rights:

Program and film rights are purchased on a fixed or variable cost basis. The asset and liability for fixed cost purchases are recognized at the time the purchase is committed. The asset is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program and film rights is expensed over the lesser of the availability period and a maximum period that varies depending upon the type of program, generally not exceeding 24 months. Rights acquired on a variable cost basis are not capitalized since their cost will be determined on the basis of the future number of subscribers. Investments in programs are carried at the lower of cost and estimated future cash flows.

e) Fixed Assets:

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives which are as follows:

Outdoor advertising panels	20 years
Equipment, furniture and fixtures	5 to 10 years
Computer hardware and software	2 to 6 years
Leasehold improvements	5 to 20 years

f) Broadcast Licences and Goodwill:

The cost of acquiring businesses is allocated to the fair value of the related net identifiable tangible and intangible assets acquired. For broadcasting businesses, identifiable intangible assets acquired consist primarily of broadcast licences. The excess of the cost of the acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Effective September 1, 2001, the Company adopted on a prospective basis the Canadian Institute of Chartered Accountants' ("CICA") recommendations on *Goodwill and Other Intangible Assets*. Under the new recommendations, goodwill and broadcast licences, which were determined to have an indefinite useful life, are no longer amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company has concluded that no provision for impairment was required other than the one related to the sale of CFOM-FM (notes 3 and 19).

g) Investments and Other Assets:

Investments and other assets include deferred charges relating to network licence applications, development and pre-operating costs. These costs are amortized over the terms of the licences, which varies between 5 and 7 years. Deferred charges associated with the pending acquisition of radio stations from Telemedia Corporation (note 19) will be included in the cost of acquisition upon the closing of the transaction.

h) Income Taxes:

Effective September 1, 2000, the Company adopted the recommendations of the CICA on *Income Taxes* and applied the provisions retroactively, without restatement of comparative financial statements. As a result, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those assets or liabilities are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Future income tax assets are recognized if realization is considered "more likely than not".

i) Earnings Per Share:

Effective September 1, 2001, the Company adopted, on a retroactive basis, the CICA's recommendations relating to the calculation and presentation of earnings per share information. Under the recommendations, the treasury stock method should be used rather than the imputed earnings approach for determining the dilutive effects of warrants and options when calculating diluted earnings per share. Adoption of these recommendations did not have a significant impact on the Company's diluted earnings per share calculation.

Basic earnings and cash flow per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings and cash flow per share amounts are calculated using the weighted average number of shares that would have been outstanding had the relevant outstanding stock options been exercised at the beginning of the year, or their respective grant dates, if later.

j) Cash:

For the purpose of the statements of cash flows, cash is defined as cash and short-term investments with original maturity terms of less than 90 days.

k) Employee Stock Plans:

The Company has a stock option plan for employees and directors. No compensation expense is recognized for the Company's stock option plan when stock options are granted. The Company also has a share purchase plan available to all employees. No compensation expense is recognized on the purchase of such shares. Consideration paid on the exercise of stock options or on the purchase of shares is credited to share capital.

l) Employee Future Benefits:

Effective September 1, 2000, the Company retroactively adopted, without restatement of comparative financial statements, the CICA's recommendations on *Employee Future Benefits*. Accordingly, the Company uses the corridor method to amortize actuarial gains or losses over the average remaining service life of active employees. Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of the accrued pension benefit obligation and the value of the pension plan assets. Further, for the purpose of calculating the expected return on plan assets, these assets are valued at their fair value. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

m) Impact of Changes in Accounting Policies:

The following table presents net earnings and basic earnings per share from continuing operations as reported for the current year and corresponding information for the prior year, recalculated as a result of applying changes in accounting policies described in notes 1. f) and 1. h):

	2002	2001
(in thousands)		
Net earnings from continuing operations, as reported	$ 57,110	$ 29,732
Amortization of broadcast licences and goodwill (net of tax effect)	–	11,322
Tax recovery (note 14)	–	(5,630)
Adjusted net earnings from continuing operations	$ 57,110	$ 35,424
(in dollars)		
Basic earnings per share from continuing operations, as reported	$ 1.16	$ 0.65
Amortization of broadcast licences and goodwill (net of tax effect)	–	0.25
Tax recovery	–	(0.12)
Adjusted basic earnings per share from continuing operations	$ 1.16	$ 0.78

n) Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

o) Supplementary Earnings Measure:

In addition to providing earnings measures in accordance with GAAP, the Company's statements of earnings show earnings before interest, income taxes, depreciation, amortization and non-controlling interest ("EBITDA") as a supplementary earnings measure. Other items such as the result from disposition of assets are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. EBITDA is provided to assist investors in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes.

2. BUSINESS ACQUISITIONS

a) Fiscal 2002:

On December 21, 2001 and on January 29, 2002, the Company acquired, effective as of September 1, 2001, the remaining 14% interest of Astral Media Outdoor, L.P. ("Outdoor") from its minority partners for a total of $11.9 million in cash, thereby giving the Company 100% ownership. Details of the acquisition, accounted for by using the purchase method, are as follows:

(in thousands)	
Assets acquired	
Identifiable assets	$ 6,022
Goodwill	6,081
	12,103
Liabilities assumed	200
Purchase consideration	$ 11,903

b) Fiscal 2001:

On December 21, 2000, the Company exercised its option to acquire an additional 7% of Outdoor for $6.3 million. The acquisition took effect on September 1, 2000.

On March 2, 2001, the Company purchased 100% of the outstanding shares of Entreprises Radio Etchemin Inc., which owns the licence to operate radio station CFOM-FM ("CFOM") in Quebec City, for $8.8 million.

On May 30, 2001, the Company completed the acquisition of the remaining 50% interest in The Family Channel Inc. ("Family") from Corus Entertainment Inc., for $119.0 million. The Company's interest in Teletoon Canada Inc. was increased to 40% as a result of the acquisition.

On August 27, 2001, the Company acquired two companies owning the licences to operate radio stations CFEI-FM ("CFEI") in Saint-Hyacinthe, Québec and CHRD-FM ("CHRD") in Drummondville, Québec. The acquisition price for both companies was $2.6 million.

Details of the acquisitions, all accounted for using the purchase method, are as follows:

(in thousands)	CFEI & CHRD	CFOM	Family	Outdoor	Total
Assets acquired					
Identifiable assets	$ 618	$ 686	$ 22,230	$ 3,126	$ 26,660
Broadcast licences and goodwill	4,137	14,729	222,810	3,169	244,845
	4,755	15,415	245,040	6,295	271,505
Liabilities assumed	592	1,014	30,193	–	31,799
Future income tax liability	1,572	5,597	95,808	–	102,977
Total consideration	$ 2,591	$ 8,804	$ 119,039	$ 6,295	$ 136,729
Consideration comprises:					
Cash (net of cash acquired)	$ 791	$ 2,804	$ 119,039	$ 6,295	$ 128,929
Class A shares	1,800	6,000	–	–	7,800
Total consideration	$ 2,591	$ 8,804	$ 119,039	$ 6,295	$ 136,729

3. DISPOSITION OF ASSETS

On October 11, 2001, the Company sold its 14.95% interest in The Comedy Network Inc. to Corus Entertainment Inc. for cash proceeds of $18 million, recording a pre-tax gain of $17 million ($13 million net of income tax). The investment was accounted for under the equity method.

At the end of August 2002, following the signing of an agreement to sell some radio stations (note 19), the Company recorded a provision of $8.1 million ($5.6 million net of income tax) to reflect the impaired value of the broadcast licence related to CFOM, recorded when the station was acquired in Fiscal 2001.

4. DISCONTINUED OPERATIONS

On November 24, 2000, the Company sold its 63.15% interest in Covitec Group Inc. ("Covitec") to Technicolor Canada Acquisition Corp. for cash proceeds of $36.1 million. The results of Covitec's operations until the day of the sale and the gain from the sale of the shares are reported as discontinued operations. The Company adopted a plan to dispose of its investment in Covitec on August 24, 2000 and thus accounted for it as discontinued operations in Fiscal 2000.

The results from discontinued operations, which also include videocassette wholesaling activities discontinued in prior periods, are summarized as follows:

(in thousands)	2002	2001
Revenues	$ –	$ 14,076
Operating losses before income taxes	$ –	$ (1,238)
Income tax recovery	–	452
Net operating losses	–	(786)
Gain on divestiture and discontinuance of operations, net of tax expense of $1,670	–	5,708
Net earnings from discontinued operations	$ –	$ 4,922

5. INVESTMENTS AND OTHER ASSETS

a) Investments in Joint Ventures:

The following is a summary of the Company's proportionate share of the financial position, operating results and cash flows of the joint ventures included in the consolidated financial statements. Family was treated as a joint venture until May 30, 2001 when the Company acquired the remaining 50%.

(in thousands of $)	2002	2001
Current assets	36,647	32,876
Non-current assets	16,655	19,147
Current liabilities	21,297	24,385
Non-current liabilities	20,307	19,184

(in thousands of $)	2002	2001
Revenues	65,801	66,118
Operating expenses	54,210	57,870
Interest income, net	(574)	(300)
Net earnings	5,795	4,240
Cash provided by operating activities	1,385	2,808
Cash used for investing activities	(939)	(4,782)
Cash provided by (used for) financing activities	(830)	1,791

b) Other Assets:

(in thousands)	2002	2001
Deferred costs (net of accumulated amortization of $9,155 (2001 – $7,373))	$ 4,024	$ 5,584
Deferred pension asset (note 17)	753	480
Deferred acquisition costs (note 19)	4,212	1,226
Employee loans	324	464
Investment in The Comedy Network Inc. (note 3)	–	1,026
	$ 9,313	$ 8,780

6. FIXED ASSETS

(in thousands)	2002 Cost	2002 Accumulated depreciation	2001 Cost	2001 Accumulated depreciation
Outdoor advertising panels	$ 47,727	$ 8,455	$ 44,373	$ 5,618
Equipment, furniture and fixtures	37,664	22,040	34,919	18,200
Computer, hardware and software	15,713	8,596	12,979	6,448
Leasehold improvements	12,654	6,231	11,781	4,564
Total	$ 113,758	$ 45,322	$ 104,052	$ 34,830
Net book value	$ 68,436		$ 69,222	

7. BROADCAST LICENCES

The changes in broadcast licences are summarized as follows:

(in thousands)	2002	2001
Cost – beginning of year	$ 638,637	$ 396,961
Acquisitions (note 2)	42	138,699
Write-down (notes 3 and 19)	(8,064)	–
Tax effect on broadcast licences acquired (note 2)	–	102,977
Cost – end of year	630,615	638,637
Accumulated amortization	41,430	41,430
Unamortized cost	$ 589,185	$ 597,207

8. GOODWILL

Changes to goodwill which relate mainly to the Company's outdoor advertising activities are summarized as follows:

(in thousands)	2002	2001
Cost – beginning of year	$ 89,083	$ 85,914
Acquisition of 14% of Outdoor (2001 – 7%) (note 2)	6,081	3,169
Cost – end of year	95,164	89,083
Accumulated amortization	5,924	5,924
Unamortized cost	$ 89,240	$ 83,159

9. CREDIT FACILITIES

The Company has operating revolving credit facilities of $66 million of which $3.2 million are secured by certain joint-venture assets. Borrowings under the facilities bear interest at the banks' prime rate which at August 31, 2002 was 4.5% (2001 – 5.75%).

10. LONG-TERM DEBT

The Company has an unused bank term loan facility in the maximum amount of $101.5 million which reduces periodically until maturity in July 2006. Borrowings under the facility bear interest at the banks' prime rate.

11. OTHER LIABILITIES

(in thousands)	2002	2001
Tangible benefits payable following licence acquisitions	$ 10,657	$ 13,550
Program and film rights payable	6,989	6,338
Pension liability (note 17)	5,769	5,233
Other liabilities	1,578	2,857
	$ 24,993	$ 27,978

12. CAPITAL STOCK

a) Authorized:

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

65,000, 5% non-cumulative Special shares ("Special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each Special share.

In order to ensure compliance with Federal Government directions, the Broadcasting Act and regulations governing specialty, pay and pay-per-view television services and radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances which would or could adversely affect the ability of the Company and its affiliates, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with any such licence.

b) Stock Split:

On March 28, 2002, the Company's shareholders approved the subdivision of its Special shares, Class B shares and Class A shares on a two (2) for one (1) basis. Trading of the shares on a split basis commenced on April 9, 2002. All information relating to the shares and per-share data, including comparative figures, have been adjusted retroactively to reflect the impact of the stock split in the consolidated financial statements and the accompanying notes.

c) Fiscal 2001 Transactions:

On September 14, 2000, the Company issued 5,000,000 Class A shares for cash proceeds of $96.2 million less $2.4 million of share issuance costs (net of a recovery of income taxes of $1.7 million). The proceeds were used primarily to repay long-term debt.

On March 8, 2001, the Company issued 278,356 Class A shares as part of the consideration paid for the acquisition of CFOM.

On March 27, 2001, the Company issued 4,260,000 Class A shares for cash proceeds of $100.1 million, less share issuance costs of $2.5 million (net of a recovery of income taxes of $1.8 million). The proceeds were used mainly for the acquisition of The Family Channel Inc. and for other acquisitions as described earlier.

On August 27, 2001, the Company issued 84,826 Class A shares as part of the consideration paid for the acquisition of CFEI and CHRD.

d) Employee Stock Plans:

Under the provisions of the Company's employee stock option plan, the Company may grant options to key employees and directors to purchase a maximum of 6,216,584 Class A shares. The option exercise price is set at the closing price for the Class A shares on the Toronto Stock Exchange on the last business day before the date on which the option is granted. Under the stock option plan, a portion of the stock options vest progressively over 4 or 5 years from the date of granting and the remainder vest on the basis of financial targets being achieved over a three-year period. All the options have a maximum term of 10 years.

A summary of the status of the Company's employee stock option plan as at August 31, 2002 and 2001, and changes are presented below:

	2002		2001	
	Number of options outstanding	Weighted average exercise price ($)	Number of options outstanding	Weighted average exercise price ($)
Beginning of year	3,521,330	14.94	2,336,512	11.37
Granted	1,412,066	23.55	1,315,064	21.04
Exercised	(960,944)	11.43	(29,160)	8.36
Cancelled/expired	(103,253)	11.99	(101,086)	13.24
End of year	3,869,199	19.04	3,521,330	14.94
Exercisable – end of year	580,550	13.51	711,246	10.05

The following table summarizes information about the stock options outstanding:

Range of exercise prices ($)	Number of options outstanding at August 31, 2002	Weighted average remaining life (years)	Weighted average exercise price ($)	Number of options exercisable at August 31, 2002	Weighted average exercise price ($)
7.04- 7.88	59,014	5.7	7.09	59,014	7.09
7.89-10.97	419,390	6.5	10.06	254,530	9.54
10.98-20.08	778,739	7.5	13.39	78,048	14.41
20.09-21.13	1,205,990	8.5	21.11	182,294	21.12
21.14-23.72	1,406,066	9.5	23.72	6,664	23.70
7.04-23.72	3,869,199	8.4	19.04	580,550	13.51

12. CAPITAL STOCK (cont'd)

An employee share purchase plan provides employees of the Company and its subsidiaries with an annual opportunity to acquire Class A shares subject to a maximum of 10% of their annual salaries. The price paid by employees is 90% of the average market price during the one-week period immediately preceding the prescribed purchase date and the shares cannot be sold before one year. Employees may borrow funds from the Company to acquire shares, payable over a period of 12 or 24 months without interest. The shares are released only when they have been fully paid for.

e) Issued Capital Stock:

(in thousands except number of shares)	2002 Number of shares outstanding	2002 Value of shares	2001 Number of shares outstanding	2001 Value of shares
Class A shares:				
Beginning of year	45,276,670	$ 449,594	35,573,352	$ 249,072
Employee stock option plan	960,944	11,006	29,160	244
Employee share purchase plan	66,608	1,462	50,976	1,088
Issuances	–	–	9,260,000	196,360
Acquisitions	–	–	363,182	7,800
Costs (net of income taxes)	–	(95)	–	(4,970)
	46,304,222	461,967	45,276,670	449,594
Class B shares	3,277,522	3,205	3,277,522	3,205
Special shares	65,000	325	65,000	325
		$ 465,497		$ 453,124

f) Earnings per Share:

(in thousands)	2002	2001
Net earnings from continuing operations (numerator)	$ 57,110	$ 29,732
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding – basic	49,151	45,482
Effect of dilutive securities	781	956
Weighted average number of shares outstanding – diluted	49,932	46,438

13. INTEREST

(in thousands)	2002	2001
Interest income	$ (1,455)	$ (2,439)
Interest expense	1,190	2,097
	$ (265)	$ (342)

14. INCOME TAXES

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before income taxes for the following reasons:

(in thousands except income tax rates)	2002	2001
Statutory income tax rate	38.7%	39.2%
Provision based on statutory rate applied to earnings	$ 34,828	$ 17,227
Increase (decrease) results from:		
Amortization of broadcast licences and goodwill	–	2,760
Non-taxable capital gain	(2,602)	–
Reduction in future income taxes resulting from decrease in effective tax rate	–	(5,630)
Other	657	(142)
	$ 32,883	$ 14,215

14. INCOME TAXES (cont'd)

The income tax effects of temporary differences that give rise to significant future income tax assets and liabilities are as follows:

(in thousands)	2002	2001
Future income tax assets:		
Non-capital loss carryforwards	$ 2,466	$ 2,634
Share issue costs	2,505	5,413
Supplementary Executive Retirement Plan	2,024	1,774
Total future income tax assets	6,995	9,821
Future income tax liabilities:		
Fixed assets and deferred charges	10,510	11,882
Broadcast licences	192,312	195,376
Total future income tax liabilities	202,822	207,258
Net future income tax liability	$ 195,827	$ 197,437

Major components of income tax expense are as follows:

(in thousands)	2002	2001
Current tax expense	$ 34,493	$ 23,418
Future income tax benefit relating to origination and reversal of temporary differences	(1,610)	(3,573)
Future income tax benefit resulting from rate change	–	(5,630)
Income tax expense	$ 32,883	$ 14,215

The initial adoption of the CICA's recommendations on income taxes had no impact on net earnings and cash flows for the twelve months ended August 31, 2001, while amortization of broadcast licences increased by $3.0 million, and the provision for income taxes decreased by $3.0 million. Broadcast licences and future income tax liability as at September 1, 2000, were increased by $101 million.

The effect of future income tax rate reductions for the twelve months ended August 31, 2001 was to reduce the liability for future income taxes and the income tax provision by $5.6 million.

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in Non-Cash Operating Items:

(in thousands)	2002	2001
(Increase) in accounts receivable and other current assets	$ (11,249)	$ (12,895)
(Increase) decrease in program and film rights	1,502	(10,568)
Increase in accounts payable and accrued liabilities	12,056	4,747
Increase (decrease) in program and film rights payable	(2,545)	9,835
	$ (236)	$ (8,881)

b) Interest Paid, Received and Taxes Paid:

(in thousands of $)	2002	2001
Interest paid	(1,165)	(2,082)
Interest received	1,455	2,439
Income taxes paid	32,600	12,260

c) Non-Cash Transactions:

The consolidated statements of cash flows exclude the following non-cash transactions:

(in thousands)	2002	2001
Shares issued to acquire CFOM	$ –	$ 6,000
Shares issued to acquire CFEI and CHRD	–	1,800
	$ –	$ 7,800

16. COMMITMENTS

The minimum amounts payable under long-term operating contracts are as follows:

(in thousands)	
2003	$ 24,705
2004	24,000
2005	24,126
2006	18,717
2007	18,760
2008 and thereafter	101,308
	$ 211,616

17. EMPLOYEE FUTURE BENEFITS

The Company has a voluntary defined benefit plan for all of its employees. The Plan provides pension benefits based on length of service and final average earnings of each member. The Company does not provide any non-pension post-retirement benefits. In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The SERP is not funded, except in the case of a change of control of the Company, with benefits paid as required. The cost of the SERP is expensed over the expected average remaining service life of the participating executives.

The measurement date has changed from August 31st to June 30th for Fiscal 2002 and the Company has changed its assumption with regards to expected return on plan assets from fair value to market-related value recognizing the changes in the fair value over a period of five years.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as at June 30, 2002):

	2002		2001	
	Plan	SERP	Plan	SERP
Discount rate	7.0%	7.0%	7.0%	7.0%
Expected long-term rate of return on plan assets	7.5%	–	7.5%	–
Rate of salary escalation	3.75%	3.75%	3.75%	5.0%
Average remaining service life of active employees	16 yrs	3 yrs	16 yrs	4 yrs

The Company's net benefit plan expense for Fiscal 2002 is as follows:

	2002		2001	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 850	$ 198	$ 1,039	$ 187
Interest cost	358	372	643	343
Expected return on plan assets	(325)	–	(597)	–
Net benefit plan expense	$ 883	$ 570	$ 1,085	$ 530

Information about the Company's defined benefit plans is as follows:

	2002		2001	
(in thousands)	Plan	SERP	Plan	SERP
Benefit obligation:				
Benefit obligation – beginning of year	$ 8,489	$ 5,217	$ 8,394	$ 4,720
Current service cost	850	198	1,039	187
Interest cost	358	372	643	343
Benefits paid	(797)	(34)	(2,522)	(17)
Actuarial loss (gain)	4	199	(92)	(16)
Employee contributions	1,215	–	1,027	–
Benefit obligation – end of year	$ 10,119	$ 5,952	$ 8,489	$ 5,217
Plan assets:				
Fair value of plan assets – beginning of year	$ 8,732	$ –	$ 7,448	$ –
Actual return (loss) on plan assets	(574)	–	265	–
Employer contributions	1,155	34	2,514	17
Employee contributions	1,215	–	1,027	–
Benefits paid	(797)	(34)	(2,522)	(17)
Fair value of plan assets – end of year	$ 9,731	$ –	$ 8,732	$ –

The status of the Company's retirement plans as at August 31, 2002 is as follows:

	2002		2001	
(in thousands)	Plan	SERP	Plan	SERP
Accrued benefit obligation	$ 10,119	$ 5,952	$ 8,489	$ 5,217
Fair value of plan assets – end of year	9,731	–	8,732	–
Funded status – plan surplus (deficit)	(388)	(5,952)	243	(5,217)
Unamortized net actuarial (loss) gain	1,141	183	237	(16)
Accrued benefit asset (liability)	$ 753	$ (5,769)	$ 480	$ (5,233)

18. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Revenues are derived from subscription fees, pay-per-view sales and advertising. The Radio segment comprises the Company's FM and AM radio stations, all located in the province of Québec. Revenues are derived from advertising aired over these stations. The Outdoor Advertising segment comprises all activities related to posting advertising on the Company's inventory of outdoor panels. Revenues are derived from such advertisements. Substantially, all activities are conducted in Canada.

August 31, 2002

(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	318,605	49,501	32,353	400,459
Earnings before undernoted items	88,894	8,426	9,004	106,324
Interest, net	245	(41)	(21)	183
Depreciation and amortization	(8,756)	(1,851)	(3,069)	(13,676)
Earnings before unallocated items	80,383	6,534	5,914	92,831
Interest, net				82
Corporate costs (including depreciation of $509)				(11,811)
Result from disposition of assets				8,891
Provision for income taxes				(32,883)
Net earnings from continuing operations				57,110
Identifiable assets from continuing operations (excluding Corporate assets of $ 66,691)	615,429	152,026	53,145	820,600
Additions to fixed assets, broadcast licences and goodwill	5,022	2,964	9,754	17,740

August 31, 2001

(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	267,977	48,181	28,958	345,116
Earnings before undernoted items	67,293	8,708	8,308	84,309
Interest, net	756	(37)	(112)	607
Depreciation and amortization	(18,179)	(5,212)	(4,766)	(28,157)
Non-controlling interest	–	–	(709)	(709)
Earnings before unallocated items	49,870	3,459	2,721	56,050
Interest, net				(265)
Corporate costs (including depreciation of $506)				(11,838)
Provision for income taxes				(14,215)
Net earnings from continuing operations				29,732
Identifiable assets from continuing operations (excluding Corporate assets of $5,761)	616,207	157,519	49,203	822,929
Additions to fixed assets, broadcast licences and goodwill	303,431	54,635	8,023	366,089

19. SUBSEQUENT EVENTS

On September 3, 2002, the Company signed an agreement with the Competition Bureau permitting it, subject to certain conditions, to proceed with its acquisition of 19 radio stations from Telemedia Corporation ("Telemedia") in Québec, New Brunswick and Nova Scotia. This transaction was approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") in April 2002.

19. SUBSEQUENT EVENTS (cont'd)

Under the terms of the agreement, following the closing of its transaction with Telemedia, the Company is required to offer to sell, as a network, its French-language AM radio assets in the province of Québec (the "Québec AM assets"). Astral is also required to dispose of its CFOM station in Quebec City under the conditions of the CRTC decision approving the transaction with Telemedia.

As a result of the agreement reached with the Competition Bureau, the Company and Telemedia modified the terms of their transaction such that the Company will acquire Telemedia's radio assets for $120 million cash and 5,333,333 Class A shares. The Company and Telemedia will also equally share the net proceeds from the disposition of the Québec AM assets.

The Company also announced on September 3, 2002, that it had agreed to sell all of its Québec AM assets and CFOM to a business venture owned by TVA Group Inc. and Radio Nord Communications inc. ("TVA-Radio Nord"), thereby complying with the conditions described above.

TVA-Radio Nord will be acquiring these radio assets for $12.75 million in cash. Of this amount, proceeds of $8.0 million pertain to the Québec AM assets and will be shared equally with Telemedia. Closing of the sale, subject to the approval of the CRTC, is slated for the latter part of Fiscal 2003. The Company has recorded a provision of $8.1 million ($5.6 million net of income tax) in Fiscal 2002 to reflect the impairment of the broadcast licence related to CFOM, recorded when the station was acquired in Fiscal 2001.

20. CONTINGENT LIABILITIES

The Company is involved in various legal actions which are normal to the Company's businesses. In the opinion of the Company, potential liabilities which may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

21. FINANCIAL INSTRUMENTS

a) Fair Values:

The estimated fair values of financial instruments as at August 31, 2002 and 2001 are based on the relevant market prices and information available at the time. The fair value estimates are not indicative of the amounts that the Company might receive or pay in actual market transactions.

Current Financial Assets and Liabilities

The carrying amounts of current financial assets and liabilities are reasonable estimates of their fair values due to the current nature of these instruments. Current financial assets consist of cash, short-term investments and accounts receivable, while current financial liabilities consist of accounts payable, accrued liabilities and program and film rights payable.

Other

The carrying amounts of loans receivable and long-term program exhibition rights payable approximate their fair values.

b) Concentration of Credit Risk:

The Company operates in Canada. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 2002, three customers of the Television segment accounted for 41% (2001 – three customers for 41%) of consolidated revenues from operations and one customer accounted for 17% of the consolidated accounts receivable (2001 – two customers for 24%). The Company believes that there is no unusual exposure associated with the collection of these receivables.

SHAREHOLDERS' INFORMATION

	Class A Shares (non-voting)	Class B Shares (one vote each)
Listing	TSE	TSE
Symbol	ACM.A	ACM.B
Recent price(1)	$21.10	$22.00
High / Low last 12 months	$27.00 / $16.55	$30.00 / $18.01
Shares outstanding(2)	46,304,222	3,277,522
Price / Earnings ratio	18.2 x	19.0 x
Price / Cash flow ratio	15.9 x	16.5 x
Price / Book value ratio	1.7 x	1.8 x
Book value per share	$12.09	$12.09
Dividends per share last 12 months(3)	$0.15	$0.15

(1) As at October 25, 2002.
(2) As at August 31, 2002. Does not include 65,000 special shares entitled to 10 votes each.
(3) The semi-annual dividend rate has been $0.075 per share since August 3, 1992.

ASTRAL TELEVISION NETWORKS
ASTRAL TÉLÉ RÉSEAUX

BCE Place
181 Bay Street
Box 787, Suite 100
Toronto, Ontario M5J 2T3
Tel.: (416) 956-2010
Fax: (416) 956-2018

2100, rue Sainte-Catherine Ouest
Bureau 900
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5090
Fax: (514) 939-5098

The Movie Network
Mpix
Fax: (416) 956-2018
www.tmn.ca
www.moviepix.ca

Super Écran
www.superecran.com

Viewer's Choice Canada
Fax: (416) 956-2055
www.viewerschoice.ca

Canal Indigo
www.canalindigo.com

Family
BCE Place
181 Bay Street
Box 787, Suite 200
Toronto, Ontario M5J 2T3
Tel.: (416) 956-2030
Fax: (416) 956-2035
www.familychannel.ca

The Harold Greenberg Fund/
Le Fonds Harold Greenberg
Tel.: (416) 956-5431
Fax: (416) 956-2087
Tel.: (514) 939-5094
Fax: (514) 939-1515

LES CHAÎNES TÉLÉ ASTRAL

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Fax: (416) 956-2070

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Bureau 900
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Fax: (514) 939-5079
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ASTRAL RADIO

Astral Radio and énergie
1717, boul. René-Lévesque Est
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Montréal (Québec) H2L 4T9
Tel.: (514) 529-3210
Fax: (514) 529-9308
www.radioenergie.com

Astral Radio Atlantic
206 Rookwood Avenue
Fredericton, NB E3B 2M2
Tel.: (506) 451-9111
Fax: (506) 452-2345

Radio RockDétente
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Tel.: (514) 845-2483
Fax: (514) 288-1073
www.rockdetente.com

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Bureau 260
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Fax: (514) 526-1354
www.teleannonces.com

OUTDOOR ADVERTISING

Astral Media Outdoor
1717, boul. René-Lévesque Est
Bureau 310
Montréal (Québec) H2L 4T3
Tel.: (514) 529-6664
Fax: (514) 529-0644

40 St. Clair Avenue West
Suite 300
Toronto, Ontario M4V 1M2
Tel.: (416) 924-6664
Fax: (416) 924-9031

278 East First Avenue
Vancouver, British Columbia
V5T 1A6
Tel.: (604) 876-6664
Fax: (604) 876-6060

Artech Digital Entertainments
6 Hamilton Ave., Suite 250
Ottawa, Ontario K1Y 4R1
Tel.: (613) 728-4880
Fax: (613) 728-4523
www.artech.ca

Astral Media Inc.
Executive Offices

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5000
Fax: (514) 939-1515
www.astralmedia.com

CORPORATE INFORMATION

Auditors
Ernst&Young LLP

Banks
RBC Royal Bank
National Bank of Canada

Transfer Agent and Registrar
Computershare Trust Company of Canada
Montréal, Toronto

Exchange Listings
Toronto Stock Exchange
Symbols: ACM.A,ACM.B

Annual Meeting of Shareholders
December 11, 2002
2:30 p.m.
Mount Royal Centre
2200, rue Mansfield
Montréal (Québec)

Corporate Governance
In compliance with guidelines issued by The Toronto Stock Exchange, a summary of Astral's corporate governance practices is provided in the Management Proxy Circular.

Ce rapport annuel est également disponible en français.

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